

BUSINESS WEEK

JAN. 19, 1946

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Making work does not create prosperity making goods does

FOR the good of workmen and everyone else, there needs to be less talk about making jobs and more about making goods.

Let's say I make coats (one a day) and you make shoes (one pair a day) and we trade. But if I decide to limit my production to half a coat a day to make my job last longer or to give a job to an assistant, and still demand the same pay for a day's work, you will have to work not one day but 2, to buy one of my coats.

You and other shoe makers are not going to pay the price—you'll make your present coats last longer—and soon both I and my assistant will be out of a job; you won't have the coat you wanted; everyone will be worse off.

If, on the other hand, I get machinery to help me make 2 coats a day I could reduce

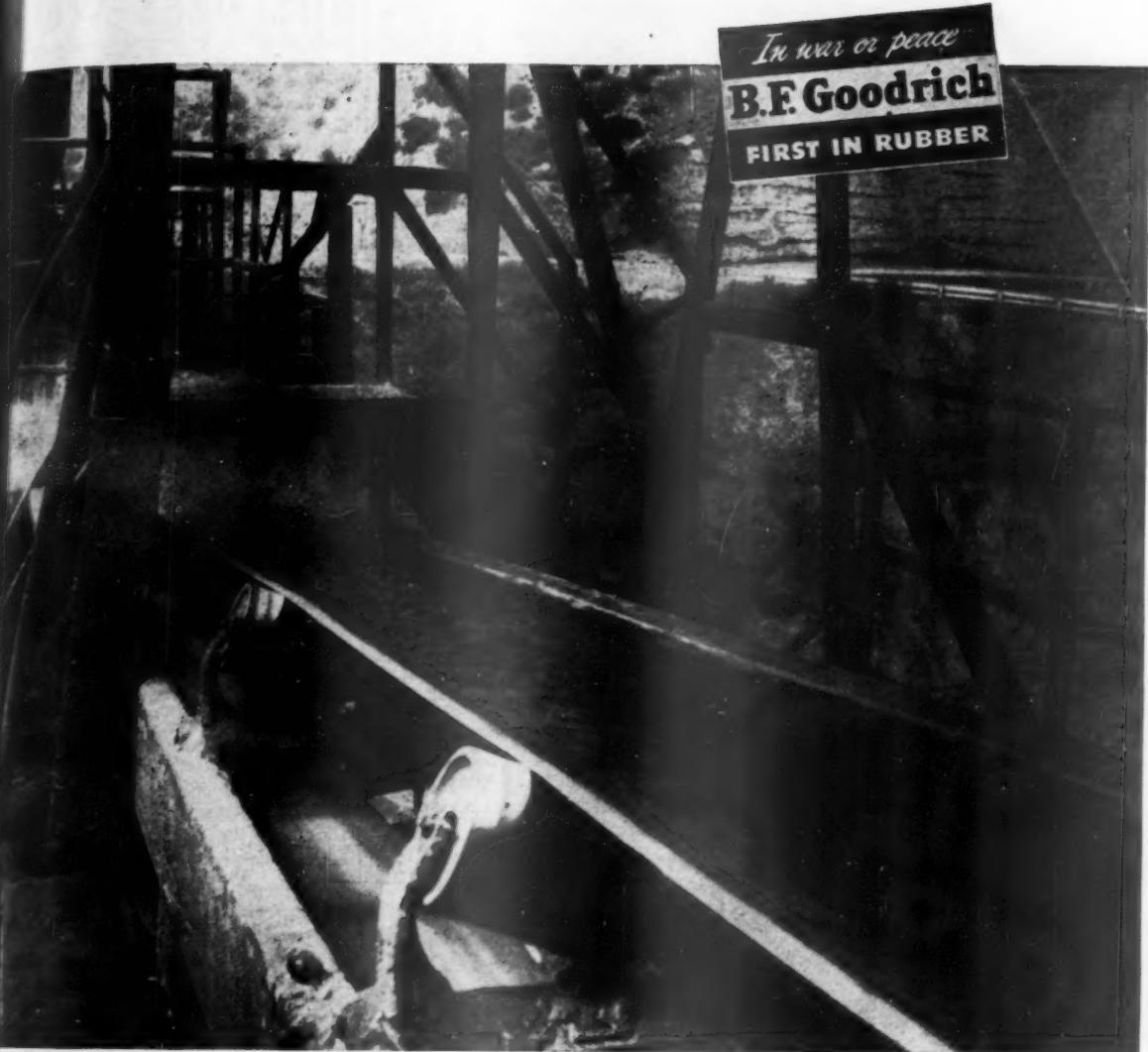
the price of my coats and still have more myself. I could trade my coats for more better shoes and other things, more people would buy my coats and soon I would have to add an assistant to take care of the demand. The history of the automobile, refrigerator, radio, and a score of other industries proves that this is exactly what happens.

When you *make goods* and do it efficiently, you *make jobs*. And it is the only way it has ever been done.



WARNER &
SWASEY
Machine Tools
Cleveland

YOU CAN MACHINE IT BETTER, FASTER, FOR LESS WITH WARNER & SWASEY TURRET LATHES AND TAPPING MACHINES



It used to burn up every 23 days

A typical example of B. F. Goodrich improvement in rubber

You could smell the rubber burning, two blocks away. To make cement, limestone is heated red hot, then sprayed with water as it's dumped onto a moving belt to be carried to the crushing rolls. To keep it down, there can be no waiting for the stone to cool and the belt must carry 14,000 barrels of it every day. But that sizzling limestone turned out belts of almost every known make . . . they averaged only 3 days.

Belts using steel cables instead of cotton fabric were tried; expensive special rubber covers were used. They weren't much better.

B. F. Goodrich engineers had developed a new principle of belting called the cord belt, in which fabric is replaced by individual cords, each imbedded in rubber. It had lasted as much as 10 times longer than other belts where shock load occurs—the rubber-protected cords absorb the shock where fabric tears.

B. F. Goodrich men reasoned this rubber insulation would protect against heat, too. They combined the cord belt principle with a regular B. F. Goodrich synthetic rubber—especially compounded to stand the heat. Here was the most severe test

possible for the B. F. Goodrich cord principle.

The B. F. Goodrich belt was installed and the red-hot limestone poured out onto it. The belt lasted 150 days—more than 6 times longer! Less cost for replacement, lower maintenance, greater and more uniform production—typical results in thousands of plants from the constant improvement B. F. Goodrich research makes in all rubber products. *The B. F. Goodrich Company, Industrial Products Division, Akron, Ohio.*

B. F. Goodrich
RUBBER and SYNTHETIC products



Catherine de Medici had the Right Idea!

...but she couldn't make it work

370 YEARS AGO, Catherine de Medici, wife of Henry II, got the notion that Paris streets should be lighted after dark. Whereupon she caused to be erected on principal corners a statue of the Virgin with an oil lamp in her hand. Basically, the idea was a good one, but the statues took up an awful lot of room, collected grime, and soon fell into disrepair. Catherine's plan had to be abandoned—but the idea of protective street lighting persisted down through the centuries.

40 YEARS AGO Union Metal engineers made an important, practical contri-

bution by placing a light globe on top of a fluted steel porch column. This, they reasoned, would put the light high enough to do a good job, and the fluted steel column would take plenty of hard use, yet retain its good looks and utility. It worked!

TODAY tall, trim, steel-strong street lighting standards, based on the original, sound design of the tapered porch column, ornament and light America's streets from coast to coast. Thus a good idea, born in the mind of a gallant lady of long ago, found fruition in a product of American design and productive ingenuity.



A typical example of the craftsmanship in steel which has made the name UNION METAL a national buy-word in street lighting standards, foundation piling, materials handling equipment, parking meters, truck trailer undercarriages, and other fabricated steel products...since 1906. The Union Metal Mfg. Co., Canton 5, Ohio.

UNION METAL
Craftsmen in Steel Fabrication

BUSINESS WEEK

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WASHINGTON BULLETIN

STATE OF UNION—HOPEFUL

President Truman postponed his message to Congress on the state of the union until next week because he did not know this week what the state of the union might be next week.

The basis for settlement of the labor-labor disputes already is in the making, and if management and labor can fall in step together, the tone of Truman's message would be much better than if no break in the stalemate were apparent by the time he put his state of mind on paper.

PUBLIC ADJUDGED STILL PATIENT

Congress apparently is in no more hurry to act on curbing strikes now than when it went home for the holidays. Most members feel that public demand for such legislation has not reached a point where it would offset the resentment that many of them would incur from their union constituents.

The strategy of congressional leaders is to delay action on the various labor bills in the expectation that the situation will cool off shortly. This course is almost certain to prevail unless the meat packers' strike continues until cupboards are bare. Many congressmen feel that an acute meat shortage would provoke the public to anger that has not been aroused by strikes in other industries.

FACT-FINDING HELD IN COMMITTEE

Although hearings on the Administration bill vesting government labor dispute fact-finding boards with statutory authority resumed this week before the Senate Labor Committee, and are slated to begin before the House Labor Committee next week, most committee members agree that this legislation will not reach the floor under present conditions.

A move has started to force committee action on the Hatch-Ball bill for compulsory arbitration of disputes. Nothing is expected to come of it.

FARM BLOC UNITES

The entire congressional farm bloc may join with members from cotton states to force an end to all farm price ceilings, it developed this week as Price Administrator Chester Bowles served formal notice of his intention to put ceilings on the 1946 cotton crop (BW—Jan. 12 '46, p5).

As the cotton group closed ranks for an all-out fight against the ceilings, Chairman Elmer Thomas of the Senate Agriculture Committee hinted strongly that he would enlist members from states producing other controlled products. As a condition for extending the price control act, which expires June 30, Thomas is nursing an amendment to lift all ceilings from raw farm products as of that date.

Because of this threat, many congressmen are confident that Bowles will eventually abandon his cotton ceiling plan

WAGE DECREASE POLICY

A policy statement on wage decreases is expected from the new National Wage Stabilization Board within a week or ten days.

Despite the overwhelming trend toward wage increases since V-J Day, the NWSB is receiving a few applications for decreases which must have the government's O.K.

The new regulations will spell out just what constitutes a wage decrease—elimination of shift bonuses, reduction in vacation pay, withdrawal of production premiums, and lengthening of the period necessary to reach the top of a rate range.

NWSB policy is expected to permit reductions from present levels to the highest pay figure during the first nine months of 1942 in cases where such a decrease is necessary in order to correct an inequity or to aid in an effective transition from a wartime to a peacetime economy.

OSRD DATA FOR INDUSTRY

Vannevar Bush's Office of Scientific Research & Development, which during the war worked in darkest secrecy with the Army, the Navy, and technical institutions in developing new weapons, now is ready to release valuable data with possible industrial applications.

OSRD's reports will be abstracted for the Commerce Dept. The original reports will be deposited with various government departments according to subject matter. Photostat copies will be available on order, but in practice it will probably be easier and quicker to obtain the reports direct from the institutions or individuals who worked on OSRD contracts.

RIVAL HOUSE-HUNTERS

Returning servicemen on the tramp for a place to live in Washington are beginning to gripe because they have to compete with the personnel of various government agencies now being shifted back to the capital.

It seems that the government is enlisting active cooperation by real estate firms and rental agents to find homes for personnel which was moved out early in the war period.

The vets argue that the return of the agencies might well be postponed until the housing congestion in the capital eases because their people have places to live where they are.

STRIKES SPEED DISPOSALS

Inventories of surplus property were at a new peak of \$6,542,000,000 at the beginning of the year. But officials can't help but see a silver lining in the strike-filled skies. Last month disposals spurted some 50% to \$274,000,000, a new high.

Another top is looked for this month if labor tie-ups get worse.

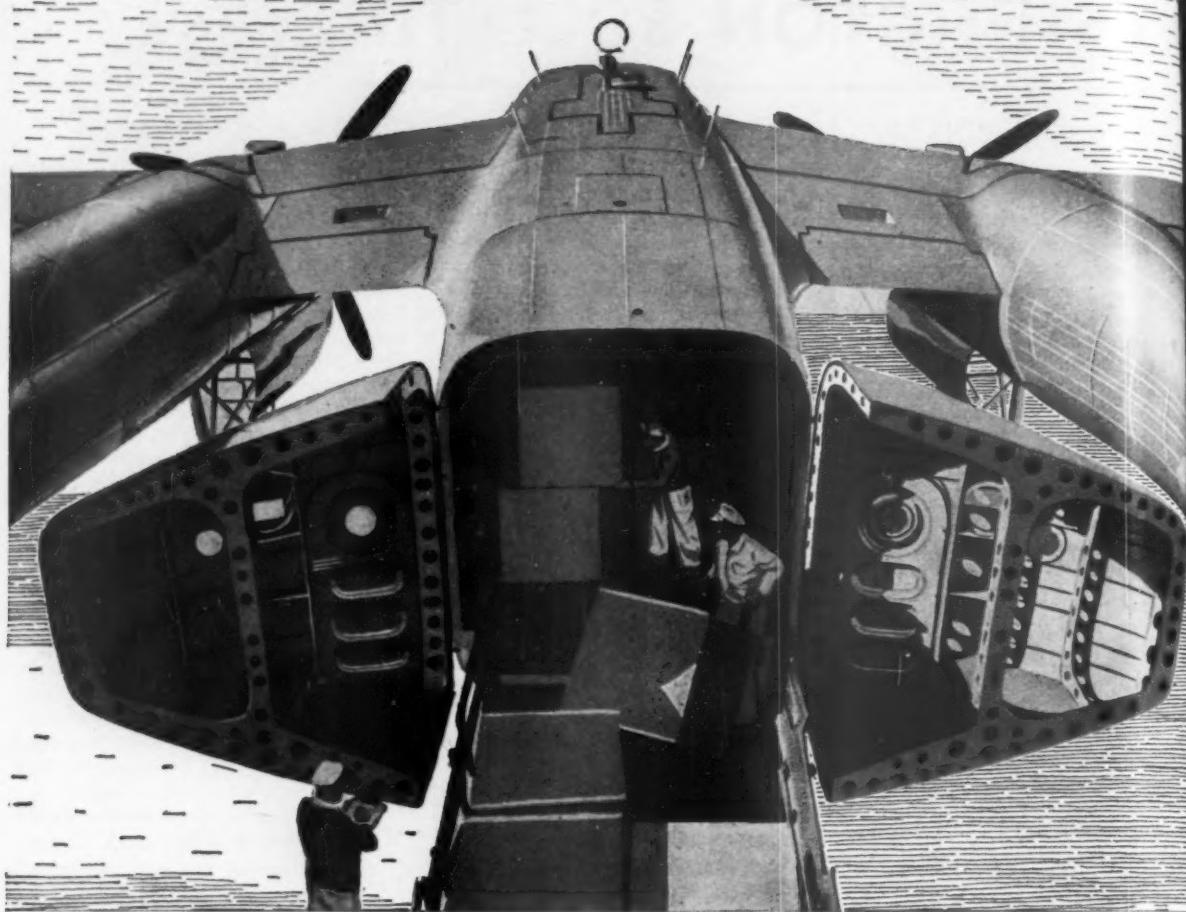
TRUST BUSTERS FLINCH

Trust-busting government attorneys were congratulating themselves this week on the progress of their case against the movie industry's "big eight" producers and distributors (BW—Nov. 17 '45, p16) when Judge Augustus N. Hand of the Circuit Court of Appeals threw some cold water on their hopes. Listening to final oral arguments, Judge Hand characterized the government's primary objective—divorce of motion picture production and distribution from theater ownership—as "an extremely drastic remedy." The other two members of the three-judge expediting court made no comment.

Shaken by his comment, government lawyers expressed the belief that Judge Hand would see things differently when he got down to reading the tomes of written evidence in the case.

A.P. OBJECTS

The Associated Press' objection to furnishing William Benton, Assistant Secretary of State, news for free dissemination by proposed U. S. information offices in foreign countries (BW—



YOU'LL SHIP IT B.F.B.*

with Packet-Proved Economy

More of your freight will be sped *By Flying Boxcar in the age of "flying freight" which is now at hand for an air-minded nation.

For Fairchild ingenuity in design and engineering has wrapped up in the cargo-carrying "Packet" the essentials for successful air freight operations—speed, economy, low-cost maintenance and operation.

The "Packet" is the first airplane designed *specifically* to carry cargo. Its low direct operating costs of less than 7 cents a ton-mile for a 500-mile trip challenge rates for other forms of cargo transportation!

The 1946 model of this Army Air Force-proved freighter incorporates all the latest improvements in design and construction. Electrically operated landing gear,

exhaust heating of wings, tail and fuselage, excellent stall characteristics are but a few of its advanced features.

Carrying up to 9 tons of freight in its unobstructed, box-like interior, the "Packet" can be loaded and unloaded with ease through split-tail doors at the rear. These open up to the full width of the fuselage. A forward cargo door permits quick access to "up-front" freight, and the horizontal floor, studded with recessed tie-down rings, is at convenient truck floor height.

In the "Packet", cargo operators and prospective cargo operators have a plane ready-made for their purposes. Like all Fairchild products, it offers "the touch of tomorrow in the plane of today."

Write for complete details on the "Packet" today.

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WASHINGTON BULLETIN (Continued)

('46,p40) raises more than the sum of propaganda. France's Havas agency was long suspected of taking government line in its news sent out, and lately even Reuters was won in some State Dept. circles to complete independence of British empire interests. Hence, the A. P. set historical precedents for wanting to itself above any possibility of sus-

ce the news A. P. gathers is a wise property, and since the government would disseminate it free in foreign countries, A. P. may also feel that acts to furnish news to foreign would suffer. United Press, which much of its growth to an energetic of selling news abroad, announced it, too, would discontinue the service the State Dept. But that the move be delayed till Benton presented case."

C.I.O. VS. THE ADMIRALS

The C.I.O. Maritime Committee may make a stiff fight against appointment of Rear Adm. Earl W. Mills and Rear Adm. Charles L. Brand to the Maritime Commission, if the White House sends their nominations to the Senate as expected.

The committee, a sort of lobbying organization for C.I.O. maritime workers, has polled its seven member unions for their opinion of the admirals. The committee itself is outspoken in opposition to the two men. Navy training and experience, the committee comments caustically, do not fit the needs of the Maritime Commission. The C.I.O. group also has picked up a purported charge of discrimination against two small manufacturers, and quotes one of them as saying that Mills is a General Motors man.

Another strike on Mills may be pitched by Republicans. Only three members of the Maritime Commission may be of one party. Three Democrats are on it now. Mills regards himself as an independent, but it seems that he once registered as a Democrat in a local Maryland election some time back.

OPA LOSES SUGAR CASE

OPA's triple-damage suit against Eastern Sugar Associates, Inc., for \$857,487, alleging that its handling charges on sugar sold to Coca-Cola Co. broke the ceiling (BW-Oct.7'44, p99), was dismissed this week in Baltimore by U. S. District Judge William C. Coleman. In a tart opinion, the judge held that if OPA couldn't draft its regulations in clear language,

New Spokesman for Business in Commerce Dept.

Here's a businessman who sincerely believes that if businessmen don't like what's going on in the government they can change it.

To demonstrate this, Albert J. Browning has accepted a pressing invitation from Secretary of Commerce Henry Wallace to become director of the Office of Domestic Commerce in a departmental reorganization designed to promote domestic industry and trade (BW-Dec.15'45,p38).

Once on N.A.M. Board—From 1938 to 1942, when Browning was president of United Wall Paper Factories, Inc., Chicago, the company went from red to black. Before, he was merchandising manager for Montgomery Ward, and once was a member of the board of directors of the National Assn. of Manufacturers.

Browning came to Washington in 1940 to serve as a right-hand man to Donald Nelson in the National Defense Advisory Commission, OPM, and WPB, until he went over to Gen. Breton B. Somervell's Army Service Forces in February, 1942, where he was the one principally responsible for setting up the Army's purchasing, contract renegotiation, and contract termination policies and procedures.

In Specific Terms—Even before he doffed his uniform a month ago, Browning felt that his five years' ex-



Albert J. Browning

perience in working with government agencies and industry could be of benefit to both. He's going to give this cause everything he's got in the next three months—then look for a job in private industry.

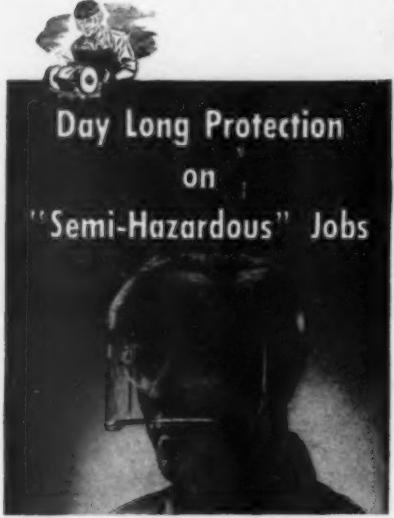
Browning's approach is that the Commerce Dept. should be the Washington representative of indus-

try. He's out to pin down to specifics what the government is doing that is interfering with full, efficient operation of industry and what the government should be doing, that it isn't now doing, to give business more incentive for doing more business. Any businessman can imagine what this might be in terms of taxes, price control, and other contentious matters, and realizes that Browning has a hard game ahead of him if he's going to carry the ball in management's behalf.

Question of Money—The scope of Browning's activities will depend, in some degree, on the amount of funds he can talk Congress into giving him for staff. He wants more businessmen to throw in with him in pushing business-boosting ideas that, coming from Henry Wallace direct, might be regarded by businessmen with suspicion.

These same businessmen probably will admire Browning for his spunk. And, in the main, they are going to like the flavor of his ideas. There's one little number, however, on which he will have heavy going—promotion of a national building code, with suitable provision for variations in climate, that is drafted in the interest of the home buyer, rather than in the interest of builders or the building trades.

**Day Long Protection
on
"Semi-Hazardous" Jobs**



• Workers keep the Willson Protective Shield* on. Because it combines safety with real comfort and smart appearance. Ideal for light duty jobs. Examples: spot welding, light grinding, wood working.



• Lightweight visor swings up easily when not in use. Held firmly in place by exclusive "Slot-Lock." Both visor and sweatband easily replaceable. Shield is roomy enough to wear over glasses.



• Oversize visor available to guard sides of face and ears from splash and flying particles. Three visor lengths: 4, 6 or 8 inch. Two thicknesses: .030 or .060 inch. Two colors: clear or Willson Tru-Hue green, which prevents color distortion.

For help on eye protection problems get in touch with your Willson distributor or write for information.

*U. S. REG. U. S. PAT. OFF.

GOGGLES • RESPIRATORS • GAS MASKS • HELMETS

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DOUBLE
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Established 1877

203 WASHINGTON STREET • READING, PA., U.S.A.

the public should be given the advantage of the ambiguity.

An injunction suit accusing Coca-Cola of buying sugar at prices above the ceiling was dropped by OPA last summer (BW-Jun. 30 '45, p41).

BLACK PEPPER DEARTH

Agriculture Dept. officials are still glum about the prospects for bringing more black pepper to pantry shelves. We've been living on stocks throughout the war. Sumatra, customary source of supply, has yet to be opened up commercially. Growers in India refuse to sell at the U. S. price of 10¢ a lb., are asking twice that. And the government hasn't been able to wrench supplies of bulk pepper out of speculators' hands (BW-Aug. 19 '44, p54).

Officials report that inventories—practically all in private hands—will last until October.

CAPITAL GAINS (AND LOSSES)

Smarting from recent attacks from within his own party as too conservative, Sen. Robert Taft of Ohio was branded as a "radical" this week by the National Assn. of Real Estate Boards for his sponsorship of the Wagner-Elender-Taft bill to establish a long-range housing program.

Despite the rough road that surplus disposal is traveling, Surplus Property Administrator W. Stuart Symington has managed to maintain good working relations with Congress.

It is supposed to be all set that John B. Blandford, Jr., will be sent to China, when Housing Expediter Wilson W. Wyatt steps into his shoes as National Housing Administrator.

Washington officials are reflecting with nostalgia on news that Jack & Heintz soon will merge with another company. Those who have wrestled with Bill Jack's unorthodox production genius wonder where his stormy talents will fit in a new setup.

—Business Week's
Washington Bureau

THE COVER

Thirty-five years ago, Irving S. Olds was secretary to the late Supreme Court Justice Oliver Wendell Holmes. This week he sat in judgment with a group of men who had the final responsibility for a decision that would echo throughout strike-harried American industry. That group made up the board of directors of U. S. Steel Corp., of which Olds is chairman. The issue was steel wages (page 16).

3,500,000 Reasons

for locating in

INDIANA

*the State
that's
Ready,
Willing
and Able*

• Let's take a look at those 3,500,000 reasons.

They are all citizens of Indiana. They're 97% native-born, with a nationally recognized high standard of literacy. During the war they proved they wanted to work... among the seven top states in war contracts, Indiana had the nation's third best record in man-hour lost through strikes and lockouts.

These Hoosiers are the first in the country to establish a state labor management charter. No other state has gone so far to benefit industrial relations.

Their income exceeds \$1,000 annually for every man, woman and child. Indiana people can make and buy your product.

They're friendly, they're handy—they're the folks you want as employees, customers, associates, and neighbors. Come to Indiana!

INDIANA

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THE OUTLOOK

BUSINESS WEEK
MAY 19, 1946



The wage-cost-price-strike drama moved rapidly to a climax this week. The denouement will provide solutions to most, if not all, the important problems affecting the business outlook.

A whole long string of crucial business questions is up in the air. Clouded are short-range prospects for production, inflation control, consumers' incomes and spending, business expenditures, composition and size of the labor force, ability to find jobs for veterans.

There's an inflationary and deflationary side to just about every issue. Yet we aren't likely to be long awaiting a tipoff on the answers.

Business decisions will be made on what happens this month.

Strikes, essentially, are deflationary. They cut incomes of employers and employees alike. But this outbreak, so far, has been inflationary.

Pay and production are being lost, to be sure. But confidence hasn't been shaken; corporations and consumers continue to spend.

Loss of production, in its own way, causes inflationary pressures. Consumers, having money, continue to bid for hard-to-get goods.

Shoppers relaxed a bit after their Christmas buying spree (just as they did after last Easter's shopping rush). Department store sales for the country declined by 5% from a year ago in the week ended Jan. 5.

But—and here is the familiar pattern—they came right back.

Sales of New York stores, which usually are fairly typical of the whole country, shot ahead of last year by 19% in the Jan. 12 week.

Restraints which high 1945 tax rates exercised on production and marketing should no longer be cutting down the supply of goods.

Things held back to be sold in 1946 after the passing of the excess-profits tax, if such a holdback really occurred, should come out now.

But there is a more subtle angle to this tax business. Some goods that could have been made in 1945 weren't turned out. It was profitable to do nonproductive plant rearrangement and otherwise prepare for volume output on the "ten-cent dollars" of 1945.

All that making ready is now behind us. But bear in mind: It provided employment and sustained national income in the transition.

Every evidence points to the fact that employers are pushing ahead with programs for large-scale production at the earliest possible moment, strikes notwithstanding.

The Committee for Economic Development, after a check of its regional groups, reported over last week end that the goal of substantially full production and employment will be reached before September. Most of the replies stressed shortages of labor rather than unemployment.

This bears out Washington on the favorable level of unemployment.

And industry's pressure on producers of raw materials for deliveries testifies equally strongly to management's optimism.

OPA now thinks of its problem as this: to hold the cost-of-living index well enough throughout 1946 so that labor won't be coming right back to

THE OUTLOOK (Continued)

BUSINESS WEEK

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management for another wage boost to compensate for the rise in prices.

This presupposes that OPA can win an extension from June 30 until at least the end of the year. The agency thinks it can (page 15).

Behind the scenes, Washington economists now are questioning if price controls can ever be wholly released at full employment. Many espouse the theory that wage demands would go right on pushing up costs and prices.

Obviously that couldn't go on forever. Even if you grant that present capacity may not equal demand at full employment, you must assume that expansion of plant and facilities ultimately would catch up.

But management must not overlook the theory. Washington can grab onto ideas like that with a crusading zeal.

*
The peak of demobilization is past, but the labor market has hardly more than begun to feel the homecoming veterans.

Something over a million veterans were returned to civilian life in the first nine months of 1945; about 5,000,000 doffed uniforms in the final three months of last year; 4,000,000 more will be released in the first six months of 1946.

Most of those released so far, being high-point men, are entitled to \$300 severance pay in three monthly instalments. Few look for jobs until two or three months have passed.

About 200,000 were on U. S. Employment Service rolls seeking placement in September; the figure rose to 400,000 in October and has been rising progressively since.

Veterans drawing readjustment allowances (roughly the equivalent of unemployment compensation) numbered 469,000 just before Christmas.

*
Veterans will come out of the services at a declining rate from now until June, it is true, but the 3,000,000 discharged in November and December won't be looking for jobs until about February.

And here's another angle: Those getting out of uniform from now on will be lower-point men, entitled to less than the maximum of \$300.

They won't be waiting three months before seeking jobs. Thus the peak of unemployment won't be delayed much beyond the end of March.

*
Insatiable demand for men's clothing will gradually taper off as most of the veterans get themselves reoutfitted as civilians. Also working in that direction—the low-point men have less discharge money to spend.

Clothing supply won't catch demand, however, for many months.

*
Unemployment crossed the 2,000,000 mark during the first week of December, and 51,810,000 had jobs, according to the Census Bureau.

An effort is made to adjust these figures for veterans discharged but not yet home and for other peculiar phenomena of the present period. Gradually the errors will disappear, but they probably haven't yet.

So far as the figures can be relied upon, the number of persons over 14 years of age not in the labor force has risen 4,000,000.

This may or may not be a clew to retirement of "emergency" workers.

FIGURES OF THE WEEK

THE INDEX (see chart below).

■ Latest Week Preceding Week Month Ago Year Ago 1941 Average

Steel Ingot Operations (% of capacity).....	76.5	82.0	83.0	92.2	97.3
Production of Automobiles and Trucks.....	23,340	13,920	16,240	19,830	98,236
Engineering Const. Awards (Eng. News-Rec. 4-week daily av. in thousands).....	\$10,145	\$11,065	\$11,307	\$4,661	\$19,433
Electric Power Output (million kilowatt-hours).....	*4,170	3,865	4,154	4,614	3,130
Crude Oil (daily average, 1,000 bbls.).....	4,578	4,548	4,515	4,723	3,842
Luminous Coal (daily average, 1,000 tons).....	1,985	11,420	2,008	1,888	1,685

TRADE

Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	72	72	78	79	86
Other Carloadings (daily average, 1,000 cars).....	47	46	52	49	52
Money in Circulation (Wednesday series, millions).....	\$28,297	\$28,491	\$28,370	\$25,257	\$9,613
Department Store Sales (change from same week of preceding year).....	-6%	+27%	+10%	+2%	+17%
Business Failures (Dun & Bradstreet, number).....	10	13	10	25	228

ICES (Average for the week)

Hot Commodity Index (Moody's, Dec. 31, 1931=100).....	264.8	264.7	264.8	253.9	198.1
Industrial Raw Materials (U. S. Bureau of Labor Statistics, Aug., 1939=100).....	169.7	169.7	169.7	166.4	138.5
Domestic Farm Products (U. S. Bureau of Labor Statistics, Aug., 1939=100).....	233.8	232.8	233.4	223.6	146.6
Finished Steel Composite (Steel, ton).....	\$58.27	\$58.27	\$58.27	\$57.55	\$56.73
Bar Steel Composite (Iron Age, ton).....	\$19.17	\$19.17	\$19.17	\$19.17	\$19.48
Copper (electrolytic, Connecticut Valley, lb.).....	12,000¢	12,000¢	12,000¢	12,000¢	12,022¢
Wheat (Kansas City, bu.).....	\$1.69	\$1.69	\$1.69	\$1.63	\$0.99
Sugar (raw, delivered New York, lb.).....	3.75¢	3.75¢	3.75¢	3.75¢	3.38¢
Cotton (middling, ten designated markets, lb.).....	24.48¢	24.46¢	24.57¢	21.83¢	13.94¢
Wool Tops (New York, lb.).....	\$1.330	\$1.330	\$1.330	\$1.340	\$1.281
Rubber (ribbed smoked sheets, New York, lb.).....	22.50¢	22.50¢	22.50¢	22.50¢	22.16¢

ANCE

Stocks, Price Index (Standard & Poor's Corp.).....	144.7	138.6	136.4	108.1	78.0
Medium Grade Corporate Bond Yield (30 Baa issues, Moody's).....	3.03%	3.04%	3.10%	3.46%	4.33%
High Grade Corporate Bond Yield (30 Aaa issues, Moody's).....	2.55%	2.57%	2.61%	2.70%	2.77%
All Loans Renewal Rate, N. Y. Stock Exchange (daily average).....	1.00%	1.00%	1.00%	1.00%	1.00%
Time Commercial Paper, 4-to-6 months, N. Y. City (prevailing rate).....	1%	1%	1%	1%	1-1/2%

ANKING (Millions of dollars)

Demand Deposits Adjusted, reporting member banks.....	37,384	37,066	37,381	35,112	23,876
Total Loans and Investments, reporting member banks.....	67,838	67,948	68,034	59,560	28,191
Commercial and Agricultural Loans, reporting member banks.....	7,242	7,249	7,128	6,426	6,296
Securities Loans, reporting member banks.....	5,237	5,749	5,962	3,647	940
U. S. Gov't and Gov't Guaranteed Obligations Held, reporting member banks.....	49,133	48,674	48,817	44,138	14,085
Other Securities Held, reporting member banks.....	3,395	3,384	3,266	2,918	3,710
Excess Reserves, all member banks (Wednesday series).....	1,330	1,480	1,250	1,197	5,290
Total Federal Reserve Credit Outstanding (Wednesday series).....	24,536	24,847	24,264	19,486	2,265

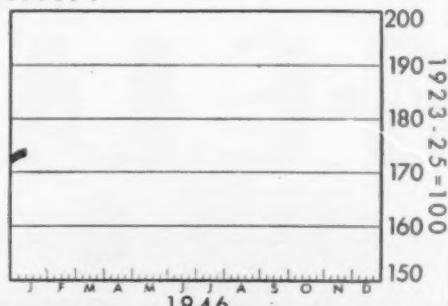
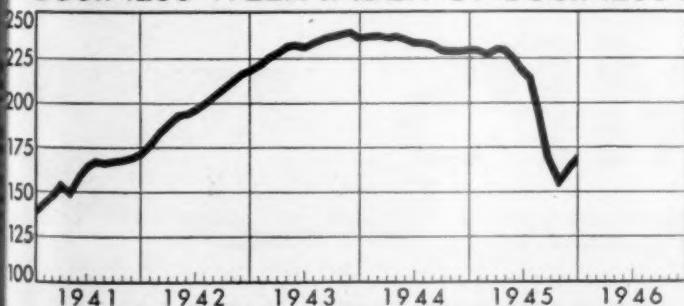
January, week ended January 12th.

*Revised.

†Ceiling fixed by government.

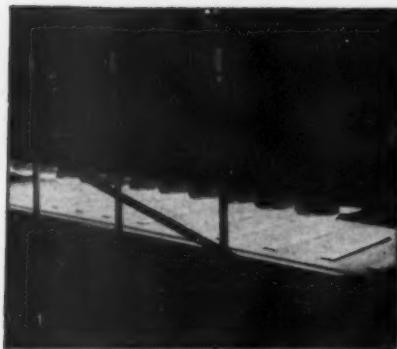
■Date for "Latest Week" on each series on request.

BUSINESS WEEK INDEX OF BUSINESS ACTIVITY

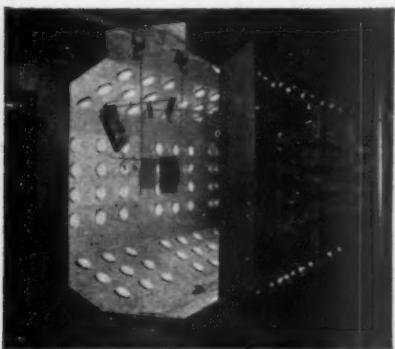


HOW TO PUT THE HEAT ON PLANT PRODUCTION

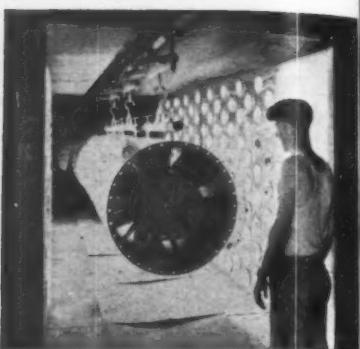
Consider these 4 basic uses for versatile G-E Drying Lamps. They can help you increase your output, save time and reduce costs.



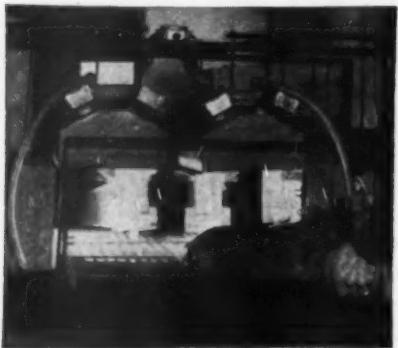
1 Radiant energy speeds up dehydration processes. G-E Drying Lamps are ideally suited for large or small installations. Extremely low maintenance costs.



2 Save floor space. This drying oven equipped with G-E Lamps provides high production capacity per square foot of floor area. Installations are movable, flexible and adaptable.



3 This baking oven—using efficient G-E Drying Lamps—provides more comfortable working conditions. No excessive warmth around the oven. Clean operation and better appearance.



4 Avoid delays and time losses. G-E Drying Lamps start and stop instantly—no warm-up needed. This saves time and reduces costs in heating operations such as shown above.

CONSULT an infra-red oven manufacturer—proper oven design is important to successful operation. General Electric recommends that you call on a recognized oven manufacturer to assure the best results with G-E Drying Lamps. For information on particular applications, get in touch with your nearest G-E lamp office, or write G-E Lamp Dept., Div. 166 BW-1, Nela Park, Cleveland 12, Ohio.

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Price Control Winning Out

Supported, temporarily at least, by a sudden spurt of backing from farmers, retailers, unions, and some industrialists, OPA seems assured of life in 1946, but its road is rocky.

OPA has rallied enough support within the past couple of weeks to make its existence through 1946 more than likely. Even the price agency's worst enemies are conceding that Administrator Chester Bowles can draw some kind of extension on his present authorization which otherwise would expire Jan. 30.

Swinging Into Line—President Truman's wage-price broadcast of Jan. 3 is credited with winning new friends and perhaps influencing Congress slightly in OPA's favor, but the bulk of OPA's support is more concrete than the vague mob of letters, telegrams, and good intentions that are the natural result of a presidential plea. OPA's new prospects shape up thus:

The farmers—who sold much and bought little during the war—are taking cudgels for price control. Now that there is some prospect of more merchandise, the farmers don't want their dollars to evaporate under the heat of higher city prices.

The retailers are swinging into the OPA parade. While merchants still yearn volubly at the margins OPA allows them, they nevertheless have been enjoying soothing profits and now fear that (1) rapid inflation will be followed by rapid deflation, and (2) swiftly rising prices will lure so many fly-by-nighters to the retail field that both the supply and the sales situation temporarily will be gummed up.

The unions are renewing the support they've almost always given OPA.

The industrialists, at least more and more of them (with support from their own economists), are accepting price control as the lesser of two evils. The alternative they fear would be an even bigger war with the unions.

Added Sympathy—And—for what it's worth—there is a growing, vociferous support from an assortment of civic groups which have visions of \$20 shirts and out-of-this-world rents. Add the personal sympathies of Congress to this group (the law makers would hardly establish a rent-squeeze in overcrowded Washington, especially since nearly every congressman is also a rent payer). Supported by this new cheering sec-

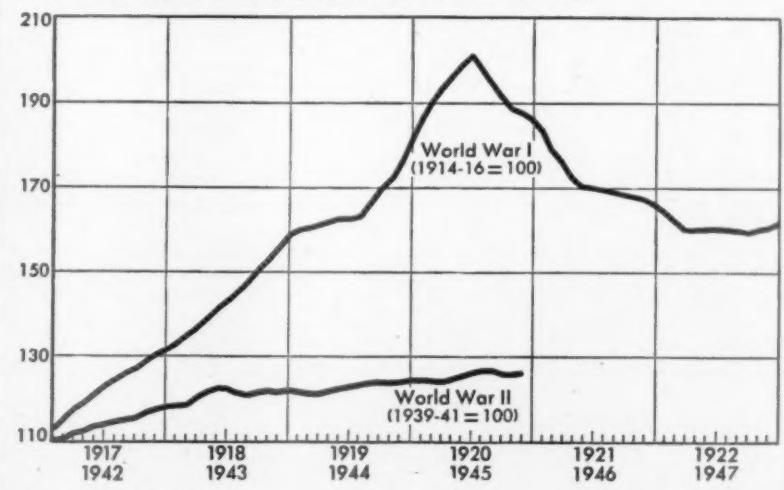
move to slap ceilings on "speculative" cotton prices (BW-Jan. 12 '46, p. 5). In the field of general industrial and consumer prices, it's impossible to predict much of anything except that OPA stands a fair chance of keeping enough power to fulfill its primary functions.

As everybody has found out by this time, those functions are no longer a rigid control of all prices. For the sake of pure expediency, OPA's chores have narrowed themselves to (1) keeping the cost-of-living index from moving upward so rapidly that a price-wage spiral gets into motion, and (2) holding prices firm enough so that consumers won't dump their enormous incomes and savings on the market.

• **No Limit on Demand**—Thus narrowed, OPA's task is not insuperable if—and it's a pretty big if—food prices can be kept in line.

Experience has shown that despite government cutbacks in food purchases, consumers still gobble up all supplies and clamor for more. Availability of clothing and durable goods might divert some of the pressure against food prices later on, but subsidies still would be

POSTWAR PROBLEM: THE C. OF L.



© BUSINESS WEEK

Cost-of-living indexes are the first things referred to by management and labor leaders when they sit down to dicker over wage rates—even though both sides do not hesitate to call the figures unrepresentative. Thus it comes as no surprise that OPA economists are just as much concerned over controlling an index number as they are in controlling prices as a whole. The chart shows the sharp contrast between the 16.6% gain in the cost of living during this war and the 30.7% rise in the earlier war, despite the greater duration of U. S. participation in the later conflict. However, the sharp postwar jump in 1919 points up OPA's dire prophecies of what will happen if controls are scrapped too soon.

Strike-Reft Nation Eyes Steel

New major walkouts of industrial workers during the week increased the seriousness of the nation's labor unrest. But hope was growing that steel wage negotiations, progressing favorably enough to result in a one-week delay in a strike originally scheduled for Jan. 14, might point the way to a general clearing of the air. Belief was growing in Washington that as steel goes, so will go industrial management generally. Much hinged on the policy decision that had to be made by the board of U. S. Steel Corp. headed by Irving S. Olds (cover).

• **Prospects**—Already narrowed differences and continuing negotiations between U. S. Steel President Benjamin F. Fairless and union leader Philip Murray indicated settlement prospects. C.I.O. steelworkers originally asked a 25¢-an-hour increase in wages, dropped to 19½¢ after General Motors fact-finders hit on that recommendation (page 94). Management's counteroffer was 15¢ an hour, following federal offers of a \$4-a-ton steel price ceiling boost.

In other troubled industries the midweek status was:

• **Automotive**—C.I.O. auto workers rounded out the eighth week of their strike against General Motors after agreeing to accept a fact-finding recommendation of a 19½¢-an-hour increase (17½%) instead of the 30% originally demanded. G. M. refused to accept the recommendation and stood pat on its offer to raise all wages 13½¢ an hour, roughly 11%. Ford Motor Co. boosted its counteroffer to the C.I.O. union from 15¢ to 17½¢ an hour, but the union held out for at least the 19½¢ recommended by G. M. fact-finders. The Ford proposal was hinged to company security guarantees and production at an 80,000-unit monthly level.

• **Electrical Products**—C.I.O. electrical workers struck in 79 Westinghouse, General Electric, and General Motors plants for a \$2-a-day pay boost. The electrical workers offered to compromise on a 15¢-an-hour raise from Westinghouse and G. E. and to negotiate on an additional 10¢; G. M.'s strike would be ended on the basis of a 19½¢ raise. G. M. offered 13½¢ an hour; Westinghouse proposed a 44-hour work-week, giving 15% more pay for 10% more work; and G. E. offered 10¢ more for workers earning less than \$1 an

hour, and 10% more for all others.

• **Meat Packing**—Strong federal conciliation efforts—including an offer of price ceiling increases—failed to avert a walkout of 198,000 C.I.O. and 135,000 A.F.L. packing house employees of major companies. Unions want 25¢ hourly pay boosts, with 17½¢ now and the remainder later. They probably would settle for 15¢ an hour, since agreements at that figure have been signed with nine small independent producers. Companies offered 7½¢, and Swift upped the figure to 10¢ an hour in a last-minute move.

• **Communications**—A serious tie-up was averted when the independent National Federation of Telephone Workers called off scattered sympathy strikes supporting two affiliates at Western Electric, which manufactures and installs equipment for telephone companies. However, the federation filed a national 30-day strike notice, then called for negotiations for a \$2-a-day raise. The two Western Electric affiliates of the federation continued on strike in 21 W. E. plants, demanding a 30% wage boost.

In New York City, C.I.O.'s American Communications Assn. continued a strike against Western Union. Basic issue is reduction by the former National War Labor Board of a pay boost approved by a regional board.

• **Farm Equipment**—C.I.O.'s Farm Equipment & Metal Workers Union set Jan. 21 for a strike of 30,000 members in eleven plants of International Harvester. Union's demand is a 30% raise.

• **Metals**—Strike against Utah copper mines and processors has been set for Jan. 21 by 5,000 C.I.O. Mine, Mill & Smelter workers, who demand 55¢ to \$1.30-a-day raises to effect a parity with Idaho wage scales. A Utah operators' compromise, including a 17% raise, was turned down.

• **Oil**—C.I.O. oil workers' demands, which led to a strike and federal seizure (BW-Oct. 13 '45, p100), appeared likely to be settled on an 18% increase formula worked out by fact-finders (page 94). Latest to sign up was the Texas Co. Sinclair signed on the same basis before fact-finding was ordered. At midweek, however, a number of the industry's major concerns still were holding out.

necessary. This means a clash between Bowles' objective of holding down prices and Secretary of Agriculture Clinton Anderson's tendency to let farm prices rise so that reductions in future years will be from high levels. In the end, the Administration will have to work out a compromise—perhaps even some razzle-dazzle subterfuge, such as putting more money for government purchases to offset steady price increases in the civilian sector.

As regards the effect of strikes on the cost of living, the picture is a little brighter. Wage increases in the basic industries affect the cost of living (as a pure index) only obliquely. For the index is so constructed that food and rents constitute a very heavy weight. In neither of these industries do wage disputes play much of a role. Exception to the rule is the ruckus in the packing industry, but here a wage increase could be financed by the expedient of raising the price on government purchases.

• **The Official Line**—The big danger of wage disputes is that they make a good alibi for asking OPA to boost prices (BW-Jan. 12 '46, p15) even when wage increases are relatively minor. OPA officially takes the line that it will be tough, and Washington economists perhaps unduly reassured by OPA's strong-boy attitude—now figure that an average 15% wage increase in big industry, coupled with some rise in food prices, won't tilt the cost-of-living index more than 2% or 3% between now and June 30. Understandably, this type of thinking is being soft-pedaled by the Administration. Neither President Truman nor OPA wants to play sucker to the unions. But that, nonetheless, is the way the boys with the sliderules are totaling it up.

Bigger immediate problems—in the short run the Adminstration can't help OPA solve them—are (1) keeping OPA's administrative setup from splitting at the seams now that the agency's life is getting shorter, and (2) fixing proper prices in industries whose "competition" is changing.

• **To Drop More Curbs**—With regard to the effects of the administrative situation, the following developments are likely:

(1) There will be further removal of price controls in nonbasic and luxury lines. OPA simply doesn't give any more what happens to the price of Tiffany watches. The only factor that prevents OPA from ripping off ceilings by the score is that consumers may get the idea that inflation has arrived to blow. But where removal is possible without complications of that type, the ceilings are coming off.

(2) There will be some removal

in the "parts" field. The supply-and-demand situation is improving to a point where prices are already on a steadier path, and anyhow the buyer of parts is stronger and stronger than the seller of parts and thus is in a position to bargain more easily.

(5) There will be some removal of ceilings in the out-and-out "risk" field. This notably includes the food field. Citrus ceilings already are off, and while prices subsequently have moved upward, the upturn is not enough to make much difference in the cost of living. On the other hand, when OPA risked removal of citrus ceilings, prices moved briskly that the ceilings had to be dropped again. It's still debatable whether OPA took a reasonable risk here or pulled a major boner. OPA's excuse is that its good intentions in moving the price curbs were bedeviled by holiday demand plus a shortage of light cars.

(4) There may be additional cessations of ceilings in the metal field. Thus far aluminum, mercury, and magnesium have been turned loose ceiling-free.

(5) There will be continued emphasis on simplifying the enforcement procedure. Because most cost-of-living items are sold by chains and department stores, strict policing is deemed necessary only at this bigtime level (with just enough prying into the doings of smaller stores to make the merchants pay, if nothing else). Incidentally, it's a gag of long standing in Washington that A. & P. and Macy's are the real O.P.A.

Tough Problems—All of these measures add up to some conservation in personnel (the virtual end of rationing helped some, too), but even so OPA will itself hard hit by staff defections before the end of the year. The best that Bowles can expect is that his top men will stick with him just about to the finish.

As regards the changing composition of production—which, of course, will be reflected in distribution—OPA likewise stumped. For instance, what are equitable prices for a manufacturer who during the war made binoculars, motors, and radar equipment but now is switching to refrigerators, washers, and ironers? OPA has a natural propensity for distrusting manufacturers' news and figures on the subject, but as yet has little to substitute in their place.

In the end, OPA will have to guarantee some kind of floor under prices at all levels to keep unforeseen contingencies from squeezing the life out of margins. Something along this line is on the fire now. But the reconversion-price road looks like anything but a smooth one,

and tempers will be short during the coming months.

• **Agency's End Foreseen**—Beyond the end of 1946—at this early reckoning, anyhow—there seems small prospect of an OPA survival. OPA itself doesn't expect it. And with an easing in the supply situation predicted for the second half of 1946, Congress will naturally be disposed to junk the agency.

Already the prospective demise of the price agency with the demise of 1946 is setting off a whole new line of economic obsessions in Administrative circles.

• **Answer Unknown**—One topnotch government economist puts it this way:

"Full employment was once our No. 1 problem. It isn't that any longer. Employment is unexpectedly high and no administration in coming years will have a chance with voters unless it at least renders lip service to full employment.

"The No. 1 problem today is what to do about prices under conditions of full or near-full employment. How can you pull off the controls without setting off a continual war between management and labor?

"Obviously OPA as now constituted is doomed. What should be substituted? Higher taxes so that purchasing power will be trimmed and prices fall? Congress wouldn't like that, either. Frankly, we don't know the answer."

Rent Control

Extension of the federal regulation seems likely as new congestion is created by return of G.I.'s, industrial growth.

More areas, not fewer, may be expected to come under rent control as 1946 wears on.

A byproduct of the housing shortage, the trend toward wider control is now gathering momentum as men and women return from the Army and Navy, as industrial reconversion moves along at a better-than-expected clip, as wartime congestion in major cities continues, and as hospitals and other veterans' facilities are set up in scattered areas.

• **Near Wartime Peak**—Rent control reached its peak last spring or last summer—depending on how you look at it.

April, 1945, marked the high point in number of dwelling units operating under OPA rent freezes, some 15,650,000 in 456 different areas. But the high point for number of areas came in July and August, at 487 in each month, when 14,860,000 and 14,950,000 dwelling units, respectively were covered.

Today's figures, 483 areas covering



ALL'S WELL THAT ENDS WELL

Definitely in the middle because of differences between labor and management, John W. Snyder, Director of Reconversion, was the happiest one of the trio which emerged from the steel strike postponement meeting last week in Washington. Visibly grateful for the truce, Snyder perhaps read in the mutual cordiality of Philip Murray (left), C.I.O. and steelworkers' chief, and Benjamin F. Fairless, president of U.S. Steel, hope for a happy ending.



OF MAPS AND MEN AND FLOOD CONTROL

Once adept at destruction, German war prisoners at Jackson, Miss., are now hard at work on a project to prevent it—the world's biggest map for studying flood control. Employing everything from bulldozers to wheelbarrows, 600 P.O.W.'s are building a 200-acre scale relief map of the Mississippi River's entire basin—complete with dikes, levees, and running water. The area represented covers 244,000 sq. mi., includes streams totaling 15,000 miles. Map scale is one ft. to 2,000 horizontally, one ft. to 100 vertically. U.S. Engineers Waterways Experiment Station at Vicksburg is supervising the project.

somewhat more than 15,000,000 dwelling units, are only a hop and a skip from their wartime peaks. It's a better-than-ever chance that they will go even higher before the middle of the year, when the question of continued federal rent control—as part and parcel of the price control act of 1942—must again be answered by Congress.

• **New Areas Controlled**—That is likely to be a bigger question than most congressmen expect, despite the fact that V-J Day and the wholesale lifting of wartime controls will then be events of almost a year's standing. The tipoff is what happened at the turn of the current year, when OPA brought eleven new areas under rent control.

Rents in these areas, representing as many states, were frozen for the usual reason—competition for the available supply of homes was getting too hot, thus boosting rentals. But whereas war production was formerly the driving force behind that competition, now it's reconversion plus the returning G. I.

• **Industrial Expansion**—An example is Craig, Colo. Normally, it's a sheep, cattle, and mining section. Now it's a boom area, with more than twice its prewar population. Reactivation of nearby oil fields made it an important service and oil-well supply center almost

overnight. OPA set a maximum rent date, as of Oct. 1, 1944.

In other cases—such as Santa Fe, N. M., and Placer and Nevada counties in California—it's the setting up of Army hospitals that accounts for post-war imposition of rent control. And so it goes. Now shaping up as likely candidates for rent restrictions are a number of college towns. Servicemen and their families are invading the nation's campuses in ever-increasing numbers.

• **Lifted in 36 Areas**—Despite this trend, OPA has been able to drop rent controls in 36 areas. One of them, in Prairie County, Ark., was exempted as early as July, 1943, but most were freed after V-E Day.

Those 36 areas represent 19 states, chiefly in the South and West. Lifting of rent controls in most cases reflects discontinuance of large military and naval installations; a smaller portion reflects closing of ordnance plants.

None of the areas in which rent ceilings have been lifted is large. Only one—around Columbus, Miss.—has more than 100,000 population.

• **State Regulation?**—Between start of the war in Europe and May, 1942, the U. S. rent bill advanced an average 5.2%. In July, 1942, the average rise was rolled back to 3.4% and has been

virtually stable ever since. It is possible that one result of the coming fight over continuing federal rent control will be a number of selective increases to iron out hardships. But such increases are likely to be small.

If federal control is done away with, rent ceilings will undoubtedly be continued by numerous states. New York Gov. Thomas E. Dewey has already gone on record to that effect.

Phone Privacy

A.T.&T. opposes recording equipment on public lines, but FCC hearing may bring approval if warning signal is given.

The right of a telephone caller to assume that his message will be as impermanent as the spoken voice underlies the controversy over telephone recorders now being heard by the Federal Communications Commission.

• **Instigated by Navy**—Manufacturers and important users of the conversation-copying devices are lined up against the telephone companies, with FCC in the middle. First formal blows were struck last week at Washington hearings, called at the instigation of the Navy—big user of the equipment—to investigate the need for recorders, the method of tipping off a caller that his conversation might be permanently engraved in wax or plastic, and the question of whether the rules governing the use of telephones should be revamped to approve recording.

Next step is the filing with FCC, on or before Feb. 11, of briefs presenting arguments of both sides. The decision will not be easy; however, recorder companies are hopeful of action in two or three months.

• **A. T. & T. Attitude**—Meanwhile, the recorder salesmen are putting more machines into service—and American Telephone & Telegraph Co. is disconnecting them from its public phones when it finds them—which admittedly is not too often—on the authority that the rules governing the use of telephones do not permit attachment of a "foreign device."

It is A. T. & T.'s strong contention that recorders connected to the public telephone system will shake the confidence of telephone users in the privacy of their calls and seriously impair the usefulness and value of the telephone system. But the company holds no brief against recorders on private lines. It has, in fact, installed two specially built recording instruments on the telephones of a New York City newspaper

the taking down of phoned-in copy. **Argument**—Recorder manufacturers such as Dictaphone, Ediphone, Sound Scriber—contend that their instruments are important and legitimate improvements in telephone service on either public or private lines. They say that the recorders fill a definite need on the part of executives in business and government for convenient and accurate recording of conversations so that the information passed may be referred to later and the statements filed in the record.

The public should demand recorder service, A. T. & T. will accede, but will insist that operators warn callers. Recorder companies argue against verbal recording, preferring a dial-tone tipoff, better still, the asterisk designation for recorder phones in the directory, as in England and Sweden.

It has been pointed out, too, that a general warning would not be practicable in only one extension of thousands in a business house was recorder equipped.

Headed for Courts?—Application of the recorders expanded greatly during the war when they proved to be time savers in Army and Navy offices and war plants. They eliminated, for one thing, the need for writing confirmation of telephoned instructions or orders.

According to one of the manufacturers, 20,000 phone recorders are in use—not counting the 4,000 of Army and Navy—15,000 may be made this year, probably 25,000 in 1947. These figures fail utterly to impress A. T. & T. with its 22,440,000 Bell Telephones.

• **Plug-In Attachment**—The recorders are dictating machines with radio-type amplification, equipped with an attachment to pick up the electrical voice impulses from the telephone circuit. One type has lead-in wires which are easily connected to two terminals in the telephone bell box, or it can be plugged into a listening jack for a stenographer's headphones.

Another kind of recorder picks up the impulses through an induction coil placed against, or within 2 in. of the box, requiring no physical connection with the circuit. The coil could even be hidden in a desk drawer near the box. Obviously, telephone companies find it difficult to prevent the installation of these recorders.

• **Heeded for Courts?**—It is not unlikely that the recorder question eventually will end up in the courts. In its determination to "safeguard" its telephoning public, A. T. & T. may question the jurisdiction of FCC over the use of recorders, although it readily recognizes the commission's right to investigate

their use. It happens that most of the rate tariffs filed with FCC do not stipulate that no "foreign device" can be attached to a telephone, but those filed with the state commissions do. And since telephones are intrastate as well as interstate instruments, they come under the jurisdiction of the latter.

Fuel Oil Is Tight

Refiners blame ceilings for situation which piles up an excess of gasoline at expense of stocks needed for heating.

Last winter, with the aid of rationing and unseasonably warm weather in the East late in the heating season, the nation squeaked through on its fuel oil supplies.

This winter, with rationing ended, everyone concerned is keeping a close watch on the supply situation. And at the end of the second week in January, stocks of kerosene and of domestic and industrial fuel oils were in even scantier supply than a year earlier.

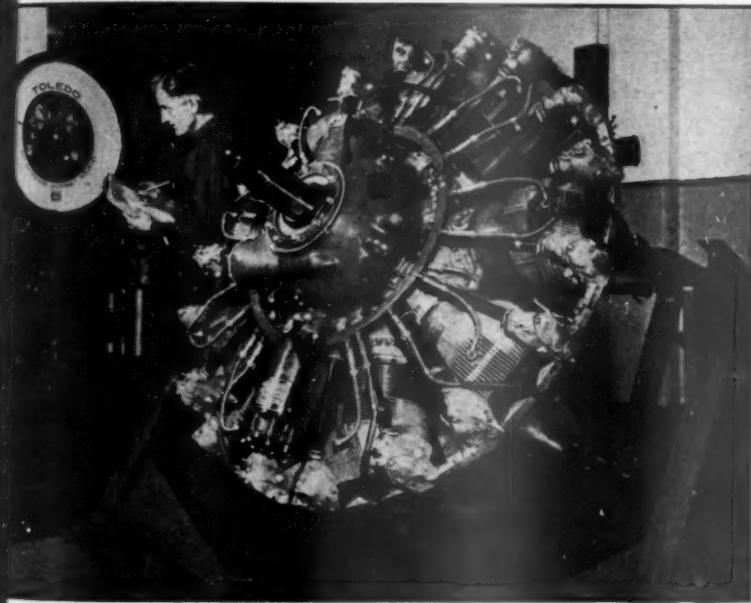
• **Excess of Gasoline**—Gasoline stocks, on the other hand, were climbing with disconcerting rapidity, had reached a record high for this time of the year. And in some quarters fear was expressed that they might overflow available storage facilities before winter ends.

Pressure of this abundance of gasoline made itself felt in the central states this week when Standard Oil Co. of Indiana reduced gas prices 0.3¢ per gal.—chiefly, it was believed, to help reduce stocks. Other companies in Standard's eleven-state marketing area followed suit.

Normally—and that means, among other things, when price interrelationships are free to shift—petroleum refiners build up fuel oil stocks in the summer to help meet peak winter demand, and, conversely, build up gasoline supplies in winter against peak summer sales. Further, they adjust refining operations to obtain a greater proportion of fuel oil in winter, more gasoline in summer.

• **Ceilings a Factor**—But oil men asserted that the price ceilings in effect early this winter were so favorable to gasoline that they were unable, in fairness to themselves and their stockholders, to make the normal winter refining shift to more fuel oil. Moreover, there has been little shrinkage in military and naval demand for fuel oil since the end of the war, and the oil strike (BW—Oct. 13 '45, p100) cut production at a crucial time.

OPA went only part way in carrying out recommendations of an eastern fuel



WORTH MORE THAN ITS WEIGHT IN HORSEPOWER

The Cyclone 9HD, called by Wright Aeronautical Corp. the world's lightest cooled engine per horsepower, tips the beam at 1,352 lb., fewer pounds than 1,425 hp. A new type of forged aluminum cylinder head and advanced supercharger efficiency are credited with the low ratio of .95 lb. dry weight per horsepower. The engine will be produced at Paterson, N. J., in four models; promises increased payloads, longer range, for commercial planes.

oil advisory committee that ceilings in the East and Gulf Coast regions be raised to encourage greater production of kerosene, domestic, and industrial fuel oil.

• Price Boost—The price increase on the needed products, in effect Dec. 19, helped, weekly production figures of the American Petroleum Institute show (table below). But the inventory comparison indicates that it wasn't enough.

And there was another, and adverse, effect. Higher ceilings for oil to be consumed in the East served to drain supplies into that area from other sections.

OPA now is studying ceiling adjustments in those districts, and some new price raises are expected. Whether these will be sufficient to rectify the fuel oil supply situation remains to be seen.

• Services Run Short—Meanwhile, the government is not getting all the petroleum products it wants for overseas shipment. Last week the Army was reported to be 208,000 bbl. short of requirements for kerosene for December and January, 490,000 bbl. short on special fuel oil, and 2,000,000 bbl. short on 80-octane all-purpose gasoline for use in the Pacific areas. The Navy needed 140,000 bbl. of kerosene and diesel fuel.

Flu Immunity?

Results obtained by Army with its one-shot vaccine look promising, and civilians now have opportunity to try it.

Influenza has been competing with strikes in its toll of work days lost but seems to be subsiding more quickly. Flu hits the country every two years. The current epidemic is not so severe as that of 1943-44, judging by cases reported in an eight-week period through Jan. 12, and is now waning.

The peak number of cases reported was 149,000 in the week ended Dec. 15. The number reported in the week of Jan. 12 was 32,632.

• Army's Vaccine—Army doctors are cautiously reporting what looks like a really promising vaccine, a one-shot immunization which is now available to civilians after being used on the entire Army personnel since last October. Effective one week after the injection, the vaccine is believed to protect for from six months to a year.

Experimental use on 6,000 volume college students in 1943 gave evidence that incidence of the disease was about one-fourth as great as among the unvaccinated. In 1944 the War Dept. approved the vaccine, and in 1945 adopted it. The Navy, however, is still holding off.

• Two Virus Types Used—The new vaccine is being made by Eli Lilly Co., Lederle Laboratories, Inc., E. R. Squibb & Sons, Sharp & Dohme, Inc., Parke-Davis & Co., and Pitman-Moore Co. It is a suspension of killed (formalinized) influenza virus types A and B made from virus grown in the allantoic fluid of embryonated chicken eggs. The dose is a single 1-c.c. injection given subcutaneously.

Two winters ago an A-type flu visited the nation. This winter it was type. Flu sweeps across the country less than a month, according to Dr. Selwyn D. Collins, epidemiologist of the Public Health Service, because few persons are immune to it. Measles or mumps or smallpox, on the contrary, may take a month to cross a city because most adults are immunized. Hence the importance of an effective vaccine against flu is appreciated.

• The Great Scourge—When the great influenza epidemic of 1918-19 started, doctors were too busy and technical unprepared to analyze it, so the kind of virus is unknown. It may have been which seems to recur biennially, or which apparently recurs at four- to six-year intervals, or it may have been something more lethal. Census figures indicated that from 450,000 to 500,000 persons died in that scourge, and the 20,000,000 persons were ill before March brought relief.

This winter's attack has resulted in the following number of cases which are listed with the preceding epidemic for purposes of comparison:

Civilian Cases of Influenza

	1945-46	1943-44
Dec. 8.....	49,694	23,7
Dec. 15.....	148,688	82,9
Dec. 22.....	68,247	83,9
Dec. 29.....	52,947	126,4
Jan. 5.....	47,273	126,6
Jan. 12.....	32,632	65,6

Mortality in 93 Major Cities

Dec. 8.....	9,945	10,4
Dec. 15.....	10,228	11,5
Dec. 22.....	10,458	12,7
Dec. 29.....	11,399	14,4
Jan. 5.....	11,928	13,4
Jan. 12.....	11,668	11,6

• Dubious Week—The alarming jump of reported cases during the week ending Dec. 15 is doubted by statistician Dr. Francis, Kentucky alone reported 89,363 the week which, observers think, was probably a result of a mild panic rather than accurate counting of patients. Civilian

Figures Tell the Story of Fuel Oil Pinch

Since OPA raised ceiling prices on kerosene and fuel oil in the third week of December, output of these products has gone up while gasoline production has dropped, an indication that OPA's plans are working. But that they aren't working well

enough is shown by the inventory statistics. Stocks of heating and industrial oils, particularly the light fuel oil used for home-heating, have continued to drop, while gasoline stocks still rise. The figures (in thousands of 42-gal. barrels):

Weekly Production

	Gasoline		Kerosene		Domestic Fuel Oil		Industrial Fuel Oil	
	1944	1945	1944	1945	1944	1945	1944	1945
December								
First week.....	14,369	14,908	1,457	1,717	4,067	4,669	9,336	8,545
Second week.....	13,945	14,644	1,426	1,867	4,343	4,905	9,158	8,107
Third week.....	14,411	14,768	1,471	1,927	4,578	4,708	9,254	8,539
Fourth week.....	15,189	14,546	1,484	2,121	4,211	5,055	9,502	8,765
January								
First week.....	14,552	14,488	1,388	2,201	4,546	5,293	9,399	8,867
Second week.....	14,312	14,246	1,478	2,101	4,464	5,325	9,296	8,223
Stocks, End of Week								
	1944	1945	1944	1945	1944	1945	1944	1945
December								
First week.....	81,136	87,004	13,027	11,750	43,886	42,406	60,486	44,743
Second week.....	82,996	89,043	12,432	11,174	41,759	40,968	59,118	42,962
Third week.....	83,607	91,870	11,984	10,666	40,129	38,919	58,173	41,479
Fourth week.....	86,849	95,205	11,290	10,201	38,715	36,651	56,934	42,447
January								
First week.....	87,005	98,494	10,751	10,530	37,409	35,199	55,567	42,371
Second week.....	88,464	99,574	10,093	9,641	35,490	33,359	53,763	40,499

Data: American Petroleum Institute.



SOUTHERN HOSPITALITY FOR FINANCIERS

While London is playing host to the UNO, a Georgia resort, nine miles from Savannah, is getting ready to play a similar role for Bretton Woods conferees. General Oglethorpe Hotel (above) on Wilmington Island will house an organizational meeting next month of delegates from nations that have signed the Bretton Woods agreement. One immediate problem will doubtless be to find permanent seat for the new international bank and monetary fund—with guesses pointing to New York City. Other important business will be to the framework on which the Bretton Woods machinery can build, once participating nations have voted the all-important funds.

ords are obviously unreliable because many persons never go to a physician. The Army and Navy, on the other hand, have accurate records. This accounts for an odd fact of several epidemics—that they seem to start at a military station. The 1918-19 epidemic was first reported at Commonwealth Pier, Boston, a Navy base. The 1943-44 epidemic seemed to begin at the Great Lakes Naval Training Station. This winter flu was noted first in Virginia, Indiana, and South Carolina, although Texas had had some all summer.

Variables—A comparison of Army hospital admission rates for respiratory diseases with Navy rates apparently shows that the new vaccine has apparently reduced the percentage of influenza cases, but such a conclusion would be medically unjustifiable because there are so many variable factors. A few of the variables are geographical location of the men, kind of activities, housing, length of service. Army doctors have noticed that most soldiers immunize themselves to many respiratory diseases after a year in service. Credit for developing the new vaccine is generally given to Dr. Thomas Francis, Jr., chairman of the commission on influenza, Army Epidemiological Board, from the University of Michigan.

ment of 35.3 in., and developed only 12½ hp.

• **Aluminum Body**—The new engine will be fitted into a car having an all-aluminum body and weighing about 1,000 lb. (Finish will be simply lacquer over the aluminum so customers will know that they're getting aluminum; then they can have the car painted if desired.)

Wheelbase will be 80 in., tread 40 in., over-all length 145 in., over-all height 57 in. The car will seat four persons. (Crosley, who is six feet four and on the weighty side, personally demonstrated his ability to sit comfortably behind the wheel.)

• **Price Not Announced**—The car will be equipped with a 6-gal. gasoline tank, and will hold 5 qt. of water for the cooling system and 4 qt. of oil, including 1 qt. in the filter. Maximum speed will be 65 m.p.h.; gasoline consumption is expected to be 50 mi. per gal. at 30 m.p.h. and 35 mi. per gal. at 55 m.p.h.

Selling price has not been fixed, but \$600 to \$650 is a good guess. (The prewar Crosley sold from \$300 to \$550.) There will be two models, a two-door sedan and a panel delivery. Crosley hopes to get in production in February, but late March appears a more likely date. The engine is being produced at Crosley's Cincinnati plant; the body will be built and the car assembled at Marion, Ind. Initial production will be 25 a day. Crosley hopes to make 30,000 in the first year, aims to invade the foreign market as well.

• **Origin With Navy**—The engine for the Crosley car is virtually that first developed for the Navy for use as a mobile generator. Six of these experimental generator sets were built for the Navy and three others, slightly modified, for the Air Technical Service Command, Dayton, Ohio.

Tested with a compression ratio of 9 to 1, using 100 octane gasoline, the engine developed maximum output of 36 hp. at 5,600 r.p.m. For Wright field it was set up to produce 20 hp. at 3,800 r.p.m.

The fabricated cylinder block weighs 14.8 lb. before machining, loses only half a pound during machining. It has a five-bearing crankshaft, bevel gear drive for the overhead camshaft. Engine bore is 2½ in., stroke 2½ in. Cylinder walls are of chrome-molybdenum steel 7/16 in. thick. Pistons are cast aluminum alloy; the crankcase of aluminum alloy casting weighs 7½ lb.

The inner surface of the water jacket is covered with a clear, hard coat of plastic. Sides of the jacket are ribbed so that, it is claimed, the block can withstand freezing of the water coolant.

• **Variety of Uses**—Crosley is expected to promote sale of the Taylor engine for

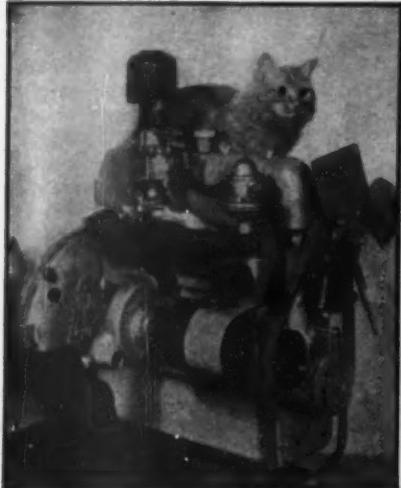
Crosley Grows Up

New version of low-priced car has unique Taylor engine, all-aluminum body. Production of 30,000 planned in 1946.

Convinced that what this country needs is an automobile for the "Model T market," low-priced and with great gasoline economy, and that he has the answer in the revolutionary Taylor engine for which he is exclusive licensee (BW-Sep.29'45,p62), Powel Crosley, Jr., this week announced preliminary data on his new light Crosley car, along with a lot of details of the engine which will power it.

• **More Powerful**—Made of sheet steel stampings and tube sections (about 120 pieces for one four-cylinder block) which are crimped together and copper brazed into a single unit in a hydrogen atmosphere at 2,060 F, the engine weighs but 58 lb. bare, 138 lb. with all accessories, including generator and starter. Yet it develops 26 hp. on 80 octane gasoline, running at 5,000 r.p.m. and using a compression ratio of 7.5 to 1. Its displacement is 44 cu. in.

By comparison, the prewar Crosley engine weighed 188 lb., had a displace-



Powel Crosley, Jr. (right), hefts the 58-lb. Taylor engine, made of sheet steel stampings crimped and brazed into a unit that weighs 138 lb. with accessories (left)—not including the cat. The engine fits into a four-passenger all-aluminum body (below) weighing about 1,000 lb. The cat's business in the picture is—doubtless to give an intimation of the engine's silky purr.



other uses. He has hired Kurt Sprengling, an ex-Army major who was an expert on auxiliary power for tanks at the Detroit ordnance office, to develop sales.

One use for the powerplant would be in boats; another as auxiliary power on farm equipment. And it could power refrigerating equipment on trucks, freight cars, and trailers. Crosley even has ideas for putting it on a light farm tractor; two such tractors are now running on his farm.

Crosley's current plans were foreshadowed some months ago when, in selling control of Crosley Corp. to Aviation Corp. (BW-Jun.23'45,p32) for some \$22,000,000, he and the Crosley Corp. stockholders retained the automo-

bile division, which was then set up as Crosley Motors, Inc.

• **To Seek Dealers**—Through sale of the new company's stock to former Crosley Corp. stockholders (he issued 600,000 shares of \$6 stock), he expects to have \$2 million in working capital by the time he is ready to produce cars.

Next month Crosley will go into 250 daily papers with ads seeking some 125 dealers to handle sales and service. He wants bona fide auto men, for his prewar experience proved appliance men can sell refrigerators but not cars. In big cities, department stores will be lined up as associate dealers which will handle sales only. Regular dealers will deliver and service the cars.

New Avco Line

Aviation Corp. will supply small home storage cabinets for frozen foods under new private brand distribution plan.

A new pattern of private brand appliance distribution emerged this week when Aviation Corp. became a member of Frozen Food Foundation, Inc., a nonprofit research organization which is being sponsored by leading department stores. The foundation is affiliated with Frozen Food Products, Inc., a distributing organization (BW-Dec. 1'45,p88).

• **To Retail Under \$150**—Avco confirmed reports that it will supply small (3 or 4 cu. ft.) home storage cabinets for frozen foods, which Frozen Food Products will distribute under its brand name, Frostmaster, to retail for less than \$150.

Distribution will be exclusively through foundation members at first but undoubtedly will be extended to noncompeting retailers in case all of Avco's output can't be handled by the 15 members. They are department store leaders like Allied Stores Corp., which directly and through its subsidiary operates 70 department stores; R. H. Macy Co. and its four affiliates; J. L. Hudson Co.; Marshall Field & Co.; and the May Co.

• **New Appliance Line**—Earlier this month Allied had combined with Gimbel Bros., Inc., in announcing the Ambassador line of household appliances. These will be sold, through Ambassador Distributors Co., by noncompeting retailers, as well as by Allied and Gimbel units (BW-Jan.12'46,p96). It is unlikely that the Ambassador line will include a home freezer competitive to the Frostmaster, however.

Earlier reports that Avco would manufacture private brand appliances for Associated Merchandising Corp., a buying group of 23 department stores, have proved unfounded.

• **Place for Both**—The Frostmaster will be manufactured by Consolidated VulTEE Aircraft Corp., in which Avco owns a 29.6% interest, and which is also scheduled to make Avco gas and electric ranges.

While in a sense the Frostmaster will compete with the home freezer to be marketed by Crosley Corp., which Avco controls (BW-Jun.23'45,p32), there is a growing opinion in department store circles, at least, that private brands and nationally advertised brands have their separate and valid places in the appliance market.



... The Best Machines Deserve the Best Service



It is only natural that users who selected Burroughs machines for fine construction and fine performance look to Burroughs for the finest mechanical service.

Years ago, in recognition of the fact that no machine—however superior in design and construction—can be any better than the mechanical service provided for it, Burroughs formulated a realistic service policy: *The best machines deserve the best service.*

The result is today's highly-trained, experienced service organization, whose intimate knowledge of Burroughs construction, adjustment and operation is helping more users than ever before to keep their Burroughs machines at peak operating efficiency.

Burroughs service is available to the user under either of two plans: (1) a Burroughs Service Agreement at a predetermined, moderate annual cost; or (2) service when requested, at a moderate charge for each service as rendered. All work is guaranteed by Burroughs.

In these times—when good service is so very important and generally most difficult to get—Burroughs mechanical service is unequalled for efficiency and dependability.

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IN SERVICE

Furniture: Big Day A-Coming

Though full production is still months away, industry looks for 1946 dollar volume close to 1941 high, and thronging of dealers to view new models reflects the strength of accumulated demand.

New furniture for the five million wartime newlyweds, or for the countless millions who want to replace worn-out sofas or refrigerators, isn't just around the corner. But retailers, surveying last week the first postwar furniture exhibits at Chicago's Furniture and Merchandise Marts and appraising their 1946 prospects, found cause for long-range optimism, if not immediate relief.

• **What Buyers Saw**—Most trade prophets, crossing their fingers at mention of the steel and electrical strikes, guess that full capacity production of furniture and furnishings is nine months to a year away. But buyers at the show

saw the largest number of exhibits, the biggest appliance show, and the biggest crowds in the history of the market.

Undaunted by rail and hotel stringencies, an unprecedented 10,000 dealers jammed the market's opening day. Two-week attendance count was expected to exceed 25,000 individuals. Hundreds of retailers, unable to find a bed in Chicago, commuted daily from points as distant as Milwaukee and Clinton, Iowa. Mart officials reported that 200 slept in Chicago undertaking parlors the night before the opening.

• **On Allocations**—Almost all merchandise shown is still being parceled out on

allocations set before the market opened; this is particularly true of case goods. Deliveries generally are promised in six to nine months, though a few manufacturers are counting on being able to make some shipments in the first quarter of 1946.

The lavish appliance displays of 13 major appliance dealers drew the show's biggest crowds. Shiny new models of refrigerators, ranges, radios, cleaners, washers, ironers, and small appliances were back in greater than prewar profusion. But most of these were samples; only a few lines were claimed to be in full production.

• **Designs for 1946**—Refrigerators generally have larger frozen food storage space; electric ranges are of higher speed. Almost all washing machine manufacturers offer automatic as well as conventional type washers.

Radios, priced from \$10.50 for a tube set, are of every type, from portable to elaborate and expensive radio-phonos.

Undaunted by tight railroad and sleeping accommodations, crowds of eager retailers (right) jammed into the show at Chicago's Furniture and Merchandise Marts last week, hungry for a look at war-scarce items. Among the attention-getting exhibits was furniture of solid aluminum rod, made by Deeco, Inc., and flown in (below, left) from Los Angeles. It's available in limited quantities. From B. F. Goodrich came a rattan chair (center) with a woven Koroseal seat and back that are said to be waterproof and washable. And for the extra-careful parent, Heywood-Wakefield Co. displayed a nontippable baby carriage.





"No unhitching... no feeding!"

A full-color reproduction of this painting
suitable for framing will be sent upon request

claimed Charles Duryea for his horse-carriage. He had built it in a barn in Springfield, Massachusetts, and it was the first of its kind in the country.

In the year 1892, when gasoline was bought by day at the hardware store by night at the corner drug store. The contraption had "two speeds forward, one reverse, and was operated by an up and down movement of the steering wheel."

— have come a long distance since Charles Duryea's day. One measure of

that distance is the universal use in motor vehicles of ball and roller bearings such as SKF produces. For SKF has contributed much to the automotive industry, and the presence of SKF Bearings is a warranty of quiet performance and low maintenance cost.

Since SKF makes many types of anti-friction bearings, an SKF engineer can give you expert help in selecting

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COST LESS TO MACHINE*

• When you visit a dairy, the first word to enter your mind is probably "Spotless".

And that's just what dairy management would like you to think. But there's more to this story than meets your eye. Yes, there's more to it than the fact that dairy equipment and sanitary fittings such as this are easier to clean and keep clean when they are made from Stainless Steel.

Just think back to the days before Carpenter invented the first Free-Machining Stainless. Then, it was more difficult to make full

use of the corrosion and heat resistance or high strength/weight ratio provided by Stainless Steel. But now, you can take full advantage of the benefits of Stainless. You can depend on Carpenter Free-Machining Stainless to save dollars in fabricating and reduce rejects.

When you want to get the job done better, at less cost, specify "Carpenter" on your orders for Stainless bar stock. It's the sure road to fewer fabricating headaches and improved product performance.

THE CARPENTER STEEL COMPANY, Reading, Pa.

Carpenter STAINLESS STEELS

BRANCHES AT
Chicago, Cincinnati, Cleveland, Detroit, Hartford,
Indianapolis, New York, Philadelphia, Providence, St. Louis

...for

- Strength
- Rigidity
- Heat Resistance
- Corrosion Resistance
- Longer Product Life
- Sales Appeal

graphs. Makers this year show more combination models with automatic record-changers than in prewar years.

Few radios shown had FM, though Philco had one model with both high and low FM bands. Most of the models shown were samples, and manufacturers pointed out that when they get into production they will put FM wherever it is finally allocated by the Federal Communications Commission (BW Jan. 12 '46, p92).

Appliance manufacturers, eying the huge backlog of demand built up during the war years, predict sales in 1946 high as \$1,600,000,000, if serious labor and material difficulties can be averted. Previous peak for the industry was 1944's \$1,027,000,000 in retail sales.

• Furniture Lines—In furniture only 42% of the 800 manufacturers (110 were first-time exhibitors) showed new patterns; the rest kept to their pre-war designs. Lines, as in the war years, are small. But everyone agrees that quality is better than a year ago. Traditional styles continue to hold a slight lead over modern.

Metal furniture, missing during the war, attracted particular attention. One new manufacturer, converting from war production, has a line of lightweight outdoor chaise longues and chairs of which he promises delivery in the first quarter of the year. More metal dinner sets, more juvenile furniture (including a baby buggy advertised not to overturn), and furniture made of plastics and impregnated woods were other manufacturing highlights.

• Cheerful Note—Despite current shortages, the furniture outlook for 1946 is not one of unrelieved gloom. Lawrence Whiting, American Furniture Manufacturers Association president, predicts a 20% increase over 1945 output during the first quarter and believes production will meet current demands by the year's end. Total volume close to the industry's 1941 high is expected, though the number of units actually manufactured will continue to be fewer.

Furniture is normally the nation's No. 3 consumer durable goods industry, though it held first place by default during the war, with automobiles and appliances out of the running.

• In Terms of Dollars—Its unit volume was down about 40% from 1941 to 1944, but its dollar volume slipped only 10%-12%. Discontinuance of low-priced items, concentration on high-priced lines, and price increases bolstered the industry's cash register totals.

WPB statistics show that 4,900 manufacturers of wood furniture in 1941 shipped \$825 million worth of product, factory-price basis. Also, 100 manufacturers of wood office furniture did \$50 million and 800 Venetian blinds

UNO Chooses Councils

The first meeting of the United Nations Organization's General Assembly got under way last week with the choice of nations to be represented as nonpermanent members of the Security Council, and on the Economic & Social Council.

In addition to the Big Five (the United States, U.S.S.R., the United Kingdom, France and China) the Security Council will include:

Two-Year-Terms	One-Year-Terms
Australia	Netherlands
Brazil	Egypt
Poland	Mexico

Although Canada did not make the grade, its expected position as a permanent member of the Atomic Energy Committee ranks it with the Big Five on the Council.

These nations were selected as members of the Economic & Social Council:

Belgium	India
Canada	Lebanon
Chile	Norway
China	Peru
Colombia	Ukrainian S.S.R.
Cuba	U.S.S.R.
Czechoslovakia	United Kingdom
France	United States
Greece	Yugoslavia

Manufacturers \$30 million, bringing the total to \$905 million in wooden furniture. Comparative production in 1942 was \$874 million, in 1943 \$825 million, and in 1944 \$801 million. Estimated 1945 shipments were \$875 to \$900 million.

On the Retail Side—Retail volume, dollars, held up as well. U. S. Dept. Commerce estimates that sales by furniture and home-furnishing stores, which normally do 70% of the retail furniture business, totaled \$1,950,000,000 in 1944, biggest retail year since 1929.

Chief obstacles to 1946 furniture output are:

(1) The 1945 hardwood lumber shortage, which housing requirements and foreign shipments may stretch into the new year. Hardwood lumber production in the first seven months of 1945 was 16% under 1944, and 1945 production was estimated as reaching the lowest point since 1939.

(2) Labor shortages. Employment in furniture factories is down 25% from 1941 levels, according to the Bureau of Labor Statistics, while manu-

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PC Glass Blocks transmit a generous supply of diffused natural light over wide areas, increasing usable floor space, reducing artificial lighting costs.

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facturers would like to employ 10% more workers than they did in the pre-war years.

(3) Lack of new equipment and machinery, unobtainable through the war years.

(4) Textile shortages, which are expected to ease rapidly with termination of government duck and tent procurement.

• Beds and Bedding—Bedding manufacturers are currently running 25% ahead of their 1940 production rate, expect to catch up with current demand by fall. Felt mattresses, metal beds, and bedsprings are relatively more plentiful than inner springs because high gage steel wire and ticking are short. Bedding makers look for a postwar volume of \$200 million, 43% bigger than 1940's \$140 million, their best prewar result.

Makers of office furniture, with a wary eye on huge government surpluses of office furniture, promise new and streamlined designs which they hope will outmode old-style desks and chairs, soon enable them to reach their prewar sales volume.

• OPA's Order—Burning issue and biggest topic of discussion among retailers attending the Chicago market was the long-awaited OPA furniture price order, out just before the show opened. Re-

tailers continue to oppose bitterly the 12% retail cost absorption feature of the order, though they favor the price increases it granted to manufacturers, because these should stimulate production of lower priced furniture.

Modification by the OPA of the provisions of the innerspring mattress price order affecting branded merchandise, also a sore spot with retailers, was expected soon.

• Credit Regulation—Federal Reserve Board Regulation W, which restricts credit terms on instalment sales, also got lots of retailer discussion. The National Retail Furniture Dealers Assn. reported it was considering a survey of the regulation's effect on retail sales, to determine whether to press for its removal. Instalment sales normally account for 60% of all retail furniture sales, have shrunk to 30% during the war.

Industry-wide hopes are for a 50% increase in furniture volume during 1947-48, based on the tremendous backlog of consumer demand and the present high level of consumer savings and income. The only big obstacle to the fulfillment of this prospect is the housing shortage. Folks who lack a roof over their heads are not likely to be much concerned about buying beds and parlor suites.

Case of Saratoga

Bottled water or liquor, state engaging in business gets no federal tax immunity unless Congress specifically grants it.

If the United States Supreme Court had held this week that the state of New York is not liable for the federal excise tax of 2¢ a gallon on bottled mineral water sold by the Saratoga Springs Commission, a state-owned authority, state officials the country over would have thrown their hats in the air with delight—and surprise.

Even a few citizens, who know their law as well as their liquor, would have hailed such a decision on bottled water. It would have meant that the states in which the sale of liquor is a state monopoly would no longer have to pay the federal tax of \$9 per proof gallon on whisky and other spirituous beverages. The states previously have been denied immunity from federal taxes on the liquor business (*South Carolina v. United States*, 199 U. S. 437; *Ohio v. Helvering*, 292 U. S. 360).

• Precedent Maintained—And the supreme tribunal, in an opinion written by Justice Felix Frankfurter, from which Justices Hugo Black and William O. Douglas dissented, refused to break with precedent. The court went further and blasted the disposition of the federal and state governments in recent years to grant reciprocal immunity.

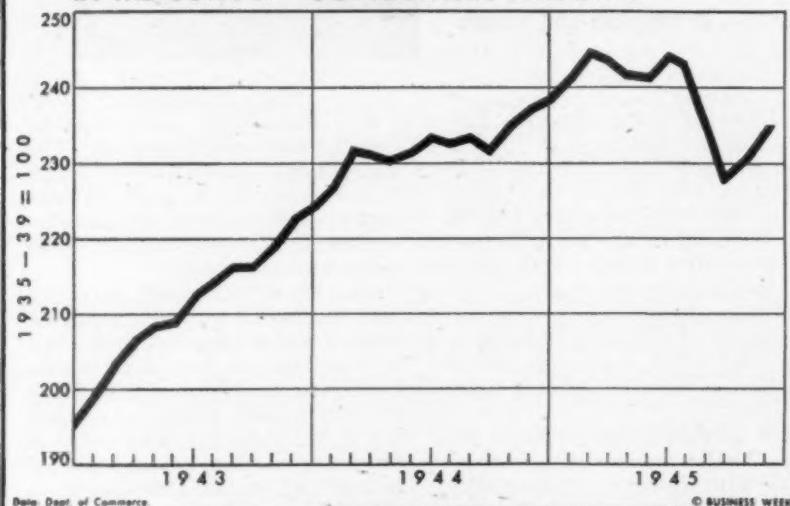
Of no avail were elaborate arguments by New York and her sister states claiming constitutional immunity and prophesying the doom of sundry state enterprises if the court upheld the contention of the federal government that the Constitution grants the states no immunity from a federal tax imposed generally on enterprises in which the state itself is also engaged.

• No Comfort in It—Justice Frankfurter observed that the state of New York and 45 others which intervened as friends of the court deserved an answer, but there was no comfort for them in the answer he gave. Conversely his opinion should provide much cheer to private businesses which are resisting the entry of state and local governments in ramified enterprises.

The gist of the Frankfurter opinion was that if a state chooses to go into a business, for profit or otherwise, on which Congress elects to levy a tax, it is in the same boat as its private competitors.

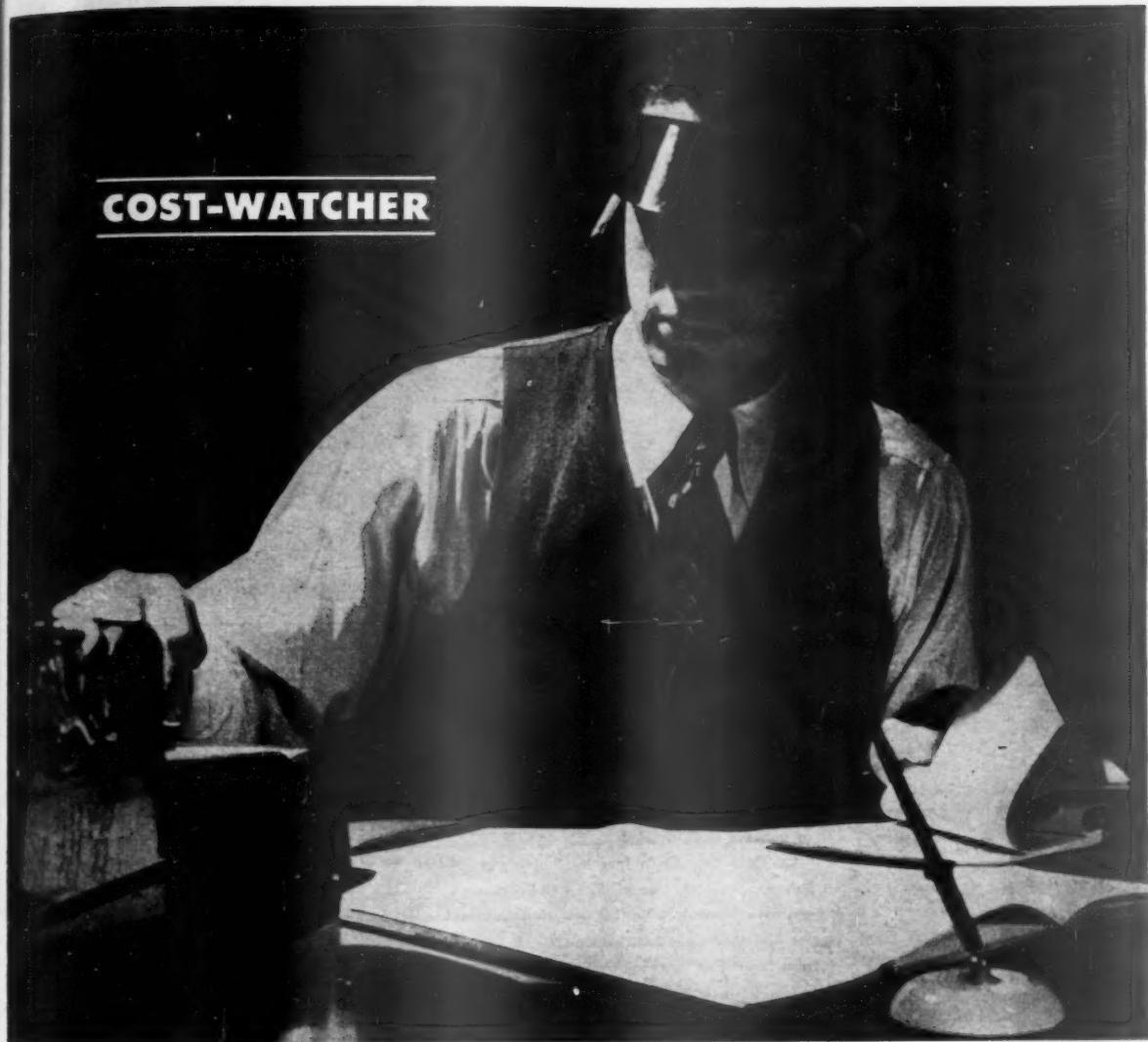
• Congress' Choice—"So long as Congress generally taps a source of revenue by whomsoever earned and not uniquely

IN THE OUTLOOK: CONSUMERS' INCOME



Income payments to individuals aren't acting according to Hoyle. In the best opinion of most economists, such income was supposed to go into a deep—if brief—decline after the war's end until civilian industry could begin taking up the slack. That pattern was followed in August and September, but the October figure (seasonally adjusted) turned up unexpectedly. And the November index number, computed by the Dept. of Commerce, has continued the upswing. Mainly responsible is the rapid rate of demobilization which entails unexpectedly large government payments to veterans. While the decline will be resumed soon, it now seems possible that the low point will be higher than originally anticipated (BW-Jan. 5 '46, p10).

COST-WATCHER



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capable of being earned only by a state, the Constitution does not forbid it merely because its incidence falls also on a state," said the justice.

"If Congress desires, it may, of course, leave untaxed enterprises pursued by states for the public good while it taxes like enterprises organized for private ends. If Congress makes no differentiation and, as in this case, taxes all vendors of mineral water alike, whether state vendors or private vendors, it simply says, in effect, to a state: You may carry out your notions of social policy in engaging in what is called business, but you must pay your share in having a nation which enables you to pursue your policy."

That Land Again

Sale of Morrison Hotel plot in Chicago is less than final. Insurance company tops bank offer, but end is not yet.

Since it was auctioned off to a syndicate headed by Louis Jacobson and Henry Crown, at a price of \$1,130,000 (BW-Dec. 22 '45, p38), title to the 95 x 90 ft. plot of ground beneath the 4-story tower section of Chicago's Morrison Hotel has enjoyed an off-again, on-again career. Seller was the Chicago Title & Trust Co. as trustee for the Morrison Home for Aged Men, which now wants cash to proceed with building its institution.

Runner-up at that auction was the First National Bank of Chicago, which bid \$1,127,000. The bank then approached Jacobson and Crown with a proposal to reimburse all of their expenses, and to pay \$1,166,667 to the Morrison trust.

• **Accept Bank's Offer**—Jacobson and Crown were amenable to the big bank's offer to take their good buy off their hands, telling the court they would be willing to back down for the sake of giving the old men's home a better break.

Before title could shift, the Connecticut Mutual Life Insurance Co. approached the bank with the same type of meet-expenses offer, but with the purchase price stepped up to \$1,250,000. Its reason: It previously had agreed to finance the Jacobson-Crown deal, but when that syndicate withdrew the Connecticut Mutual lost its outlet for a big chunk of investment funds, and decided to buy rather than be frozen out.

By statute the attorney general of Illinois has jurisdiction over charitable trusts. He told the court to get the largest possible sum for the land.

So the judge took the insurance com-

Clinches for KEEPS!



INSTRUCTIVE

Marvin I. Brown, construction chief for Office of War Mobilization & Reconversion, is shepherding Housing Expediter Wilson W. Wyatt through the Washington maze of housing sets and figures. Still in his thirties, Brown learned residential building from the inside as head of two construction companies. He took over his present job six months ago after serving with the Office of Strategic Services, is credited with prying loose surplus building materials from government agencies and the services.

Any's check for \$1,250,000, is holding until Jan. 31. If anybody shows up, meanwhile, with a better offer, he gets the property. Otherwise it goes to the Connecticut Mutual—presumably for keeps.

HOG ISLAND RETURNED

Hog Island, first World War shipyard and second World War ammunition depot, has been turned back to Philadelphia by the government, along with \$7,100,000 of federal improvements and \$294,000 for rent.

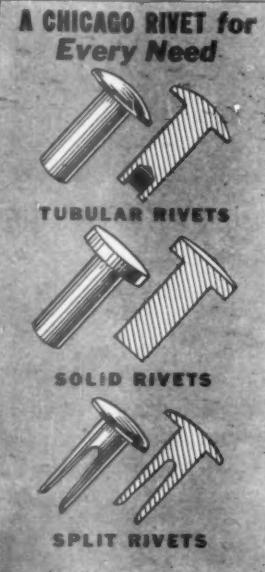
Reacquisition of Hog Island by the city gives cheer to Philadelphians who have dreamed of a giant municipal air-sea terminal. Hog Island is near Southwest Airport. Establishment of the ammunition depot after seizure of the land under the President's war powers deprived Philadelphia of an airport for 8 months (BW-Jun.9'45,p42).

Now the city gains an Army-built 600-foot pier, which is only a short walk from the airport.



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A Jolt for Ickes

Revamped bill to create Columbia Valley Authority cuts out proposals which would put Interior Secretary in saddle.

Interior Secretary Harold L. Ickes, who is rarely caught off guard, got a jolt recently when Washington's Democratic Senator Hugh Mitchell introduced into the Senate a revamped version of his bill to establish a Columbia Valley Authority.

It's possible, however, that the course of public power politics isn't greatly changed. After years of agitation for the creation of more valley authorities a la the Tennessee Valley Authority, it looks pretty plain now that Congress never will get around to the task of setting them up. In that case, Ickes need worry no longer about the threat of competition from that particular quarter to his jurisdiction over the national power business.

• **Strategic Move**—As late as a year ago, Ickes contrived a code for valley authorities, for use if the TVA should have any little sisters. The "basic Ickes" in this code is a provision for establishing a federal river basin development board to coordinate and rule over any and all valley authorities that Congress might set up. The chairman of such a board would, of course, be the Secretary of the Interior.

By this strategy, Ickes figured that he could sit down with the crowd that wants authorities established in the country's several big watersheds without having his chair pulled out from under him.

• **Mitchell's Role**—Ickes' code, as such, has never had a sponsor in Congress, although Capitol Hill was papered with copies, but Ickes was not without comfort. When Sen. Mitchell introduced his first Columbia Valley Authority bill in February, 1945, he picked up large chunks of the original 1934 TVA act, but he festooned them with many more advanced ideas propagated by Ickes in his code, including the business about setting up a federal river basin development board.

But it's that board that has now been thrown overboard in Sen. Mitchell's new version of his authority bill, although many other features of Ickes' code are retained. Inasmuch as Mitchell originally had adopted the Ickes' doctrine so wholeheartedly, this was a little surprising. The explanation is that a year had gone by and Mitchell had discovered that the people in the Northwest want none of Ickes—or any con-

trol by Washington, for that matter—over their proposed Columbia Valley Authority.

• **Retaliation?**—Sen. Mitchell has yet to demonstrate that the Northwesterners want a valley authority at all. This he hopes to do next month if he can get hearings started on his bill. Meanwhile Mitchell and Rep. Henry Jackson, another Washington Democrat, are hopefully waiting for a tardy presidential endorsement which Truman apparently had promised them.

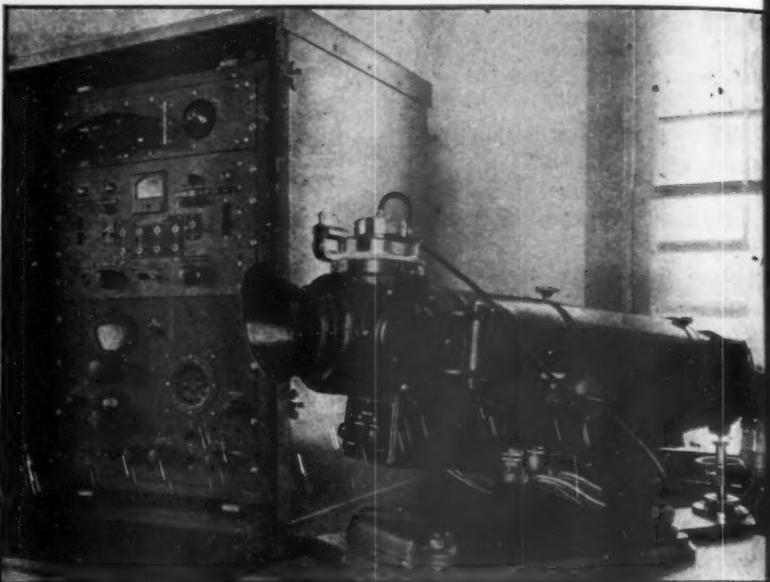
Their wait may, or may not, be made happier by reflecting on the cause of the delay. Some say it has been engineered by one Ickes, in retaliation against Mitchell. On the other hand, Ickes' dreams of power may be fading. As a sturdy monument to the public power business he may be immortal, but he won't be Secretary of the Dept. of the Interior forever.

Blue Cross Rift

Seventeen hospitals quit Michigan Hospital Service in dispute over rates per patient. Others seek fee adjustment.

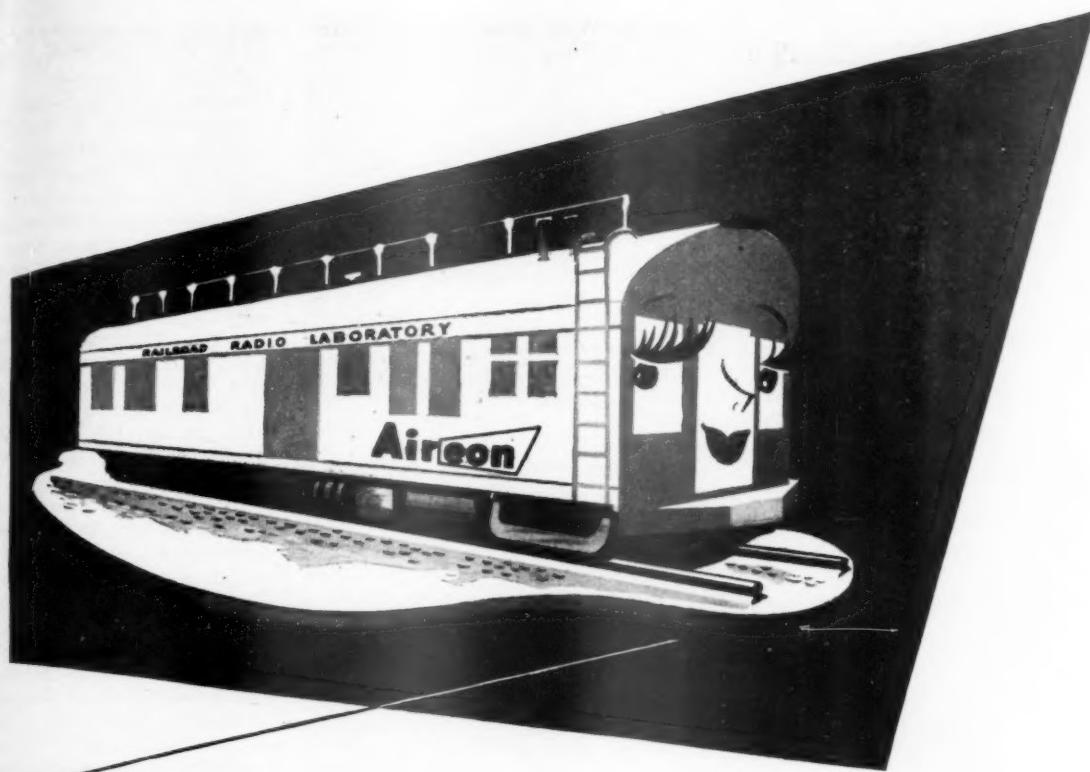
The Michigan Hospital Service, until lately the largest of all the hospitalization plans in the country, suffered a body blow this week when 17 member hospitals withdrew.

The first move was made by the Sisters of Mercy, who operate 14 hospitals in the state, two of them in Detroit. Mother Superior Mary Carmelita of the order said the withdrawal was "to stop deficits piling up on patients admitted under the plan." The service participating hospitals special contra-



IT PUT THE FINGER ON THE WOLF PACK

Out of the Navy's top secret drawer, the "huff-duff," an automatic shortwave radio direction finder, was demonstrated last week at the Great River (N. Y.) laboratories of Federal Telephone & Radio Corp. It was also a revelation to surviving U-boat commanders. Relying upon the inability of conventional finders to obtain quickly a position-fix on distant transmitters, the Nazi submarine captains communicated in 15-second bursts—unaware that "huff-duff" obtains bearings within one-tenth of a second. Scanning the whole horizon by means of a motor-driven coil assembly, the finder accurately indicates direction of transmitters thousands of miles away by the pattern on the screen of cathode tube—like those used in television sets. Other "huff-duff" stations cooperate, immediately provide directional data which fixes actual position by means of cross bearings. In the wolf pack hunt, radar took over at short range as aircraft moved in; sonar underwater-sound devices finished the job as surface craft converged for the kill. Developed to take life, the finder is now being used to save it. The Coast Guard is using it to locate ships in distress when they are uncertain of their position or unable to transmit it.



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rates, lower than customary charges. A few days later three other hospitals announced their withdrawal.

• Thinking It Over—Robert Geoghegan, superintendent of Highland Park General Hospital, was appointed chairman of a Greater Detroit council formed to consider similar action. He said many Detroit institutions are having the same experience as the Mercy hospitals, and that while no wholesale withdrawal is planned, the hospitals will try to get a satisfactory adjustment of fees per patient-day. In medical circles it was unofficially reported that another complaint was that slow payment of bills owed by the service constricted the hospitals' operating cash.

Michigan Hospital Service, one of the Blue Cross insurance plans, professed great surprise at the move made by the Sisters of Mercy. It declared that its service paid hospitals more per patient-day than any other similar plan in the country, and more than any insurance organization.

• Notice Required—In all, 145 Michigan hospitals participate in the plan, including nearly all of the major ones of the state. Under the legal requirements of their contracts, they must give six months' notice of withdrawal. Consequently all Blue Cross subscribers are protected at least till next July in the hospitals of their choice.

The Michigan Hospital Service, backed enthusiastically by the C.I.O., United Auto Workers Union, had a coverage estimated, before V-J Day, at over 1,000,000 persons. Today, however, it has slipped considerably; according to some estimates, total membership now may be half the earlier figure.

• The Well Quit First—Experience has been that a decline of this sort usually means a proportionate increase in the amount of hospitalization and medical requirements of the remaining group. In separations, healthy members are prone to forfeit their insurance, but members who know their health is not good maintain it. Hence, the hospital requirements of the latter class draw disproportionately on the entire group.

There is no indication, however, that this situation has as yet affected the Michigan service.

RCA OFFERS PATENTS

With the lifting of governmental security restrictions on release of radio and electronic patents, Radio Corp of America last week resumed its prewar policy of unrestricted licensing of its own patents and those it has available under grants from other companies.

The RCA patents, therefore, were added to the government's recently cre-

"Register of Patents Available for Licensing." RCA became the second to concern to take this action; International Harvester Co. was first (BW-Jan. 24 '45, p.28).

The thousands of RCA patents listed cover radio and television receiving sets, electrical phonographs, radio broadcast and television transmitting equipment, radio tubes, and sound motion picture apparatus. Patents in the radio broadcasting category which RCA is authorized to license, under certain conditions, include many from General Electric Co., Westinghouse Electric Corp., American Telephone & Telegraph Co., and N. V. Philips' Gloeilampenfabrieken.

VITAMIN PATENTS FREED

Lucrative patents controlling production of vitamin D, long held by the Wisconsin Alumni Research Foundation, became public property this week under consent decree entered in U. S. District Court in Chicago.

The decree ended the Justice Dept.'s antitrust action against the foundation and 17 firms holding licenses under its vitamin D patents. It follows a U. S. Supreme Court refusal to review a circuit court decision holding the patents valid. The latter case grew out of a patent infringement suit.

The firms named in the antitrust action, all of which have now canceled their restrictive agreement with the foundation, include E. I. du Pont de Nemours & Co., Quaker Oats Co., Standard Brands, Inc., Gelatin Products Corp., Borden Co., Carnation Co., Nestle Milk Co., Indiana Condensed Milk Co., Nestle's Milk Products, Inc., Vitamins, Inc., Abbott Laboratories, Mead Johnson & Co., William S. Merrell Co., Burke Davis & Co., E. R. Squibb & Sons, Winthrop Chemical Co., Inc., and Charles Bowman.

PATENT PACT

All was "sweetness and light" between the government and Aluminum Co. of America last week when, as expected (BW-Jan. 12 '46, p.7), the two parties settled the problem of Alcoa's permitting competitors to use its patents for extracting alumina from bauxite. By giving the Reconstruction Finance Corp. free use of its patents, including the right to sublicense those who acquire or lease government-owned plants, Alcoa:

(1) Made it possible for Reynolds Metals Co. to consummate leases for the government's Hurricane Creek alumina and Jones Mill aluminum reduction plants (BW-Dec. 22 '45, p.31).

(2) Assured substantial competition

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for itself, thus opening the door to satisfactory termination of the government's antitrust suit. (The Circuit Court of Appeals last year held that Alcoa had a monopoly on aluminum reduction in 1940, but said disposition of government plants would determine whether such monopoly still obtained.)

(3) Hoped that it could change the Justice Dept.'s mind about Alcoa's being a monopoly and thus make it possible to renew efforts to obtain other government plants.

While all concerned insisted that the

agreement had no connection with the pending antitrust suit, the effect on the case was obvious.

W. Stuart Symington, Surplus Property Administrator, who only a few days earlier had charged Alcoa with using its patents to obstruct disposal of surplus aluminum plants to Alcoa competitors, described the deal as "clearing the way for competition in the aluminum industry," and even Attorney General Tom C. Clark termed it "entirely in line with the objective of the [Justice] department in the pending antitrust suit."



PRESSURE COOKER'S FRACTIONAL SQUEEZE

Getting a 106-ft. fractionating tower from Milwaukee's A. O. Smith plant to Standard Oil of Indiana's refinery at Whiting was a recent moving job requiring precision planning. Dwarfs two special flat cars (below), the tower was rerouted around low overheads, barely missed the higher ones (above, left) was inched past boxcars (right) on its short but hazardous journey from plant to barge for the trip across Lake Michigan. Reported by its makers to be the largest pressure vessel ever built entirely within a factory, the 160-ton unit held enough water to cover an acre five inches during its hydrostatic test.



COMMODITIES

Feed Stringency

Reluctance of farmers to part with grain and livestock is bringing cries of protest from millers and from deficit areas.

Pigs, cattle, sheep, and chickens have to be fed to make meat and, despite the lyric poets, it doesn't all happen in clover field. Feed is hard to buy at the country elevator today, and the reasons are not hard to find.

Prospects of Profit—Federal agencies, grain processors, and commercial feed dealers keep urging farmers to sell their grain now as well as more of their livestock. But the farmer never has been able to overlook extra profits he might make. Currently, many a farmer believes he can boost his eventual cash take by holding back these edible assets for a time in the market.

Washington economists are unhappy at the farmer insists on gambling (BW Jan. 12 '46, p 50) by keeping 68,000,000 more hens and pullets than the announced official goal. The size of Jan. 1 chicken flocks is estimated at 475,000,000.

Recalling the juicy profits he made on hog production during the war years, the farmer is also raising more turkeys—birds of notoriously gross appetite—than stomach planners like to contemplate. Turkey output for 1945 is estimated at 30,000,000 lb., 20% above 1944, and 5% above the 1935-39 average. There is little indication that turkey raisers will cut back the size of their flocks sharply in 1946.

Beef and Pork and Soft Corn—Cattle Corn Belt feedlots are considerably more numerous than anyone expected only last fall. Reason is that farmers had to buy thin beef critters off the ranges to use up corn that was caught in soft condition by early frosts.

This corn would spoil at the onset of warm spring weather, hence must be converted into meat this winter. Similar reasoning lies behind sizable herds of hogs, and a tendency—further impelled by federal price supports—to feed hogs to heavier weights than in any recent years.

Consequence of all these plus influences is that feed is disappearing fast, and farmers are uninclined to haul to the elevator the small grain, corn, or soybeans they have on hand. Hence loud voices are emanating from feed manufac-

turers and feed-using farmers in the deficit areas, who cannot get the grain that they are in need of for processing or for feeding.

• **Supplies Are Uneven**—In areas that normally produce a surplus of feedstuffs, notably the Corn Belt and neighboring states of the Middle West, these cries are fainter. In those regions, most farmers are getting all the feed they need for their stock, though many are pinched for certain specific items which are required to achieve balanced feeding. Feed millers in these areas wish they could get more grain, because they could sell all the mixed feed that they could grind.

In general, distress is greatest in the Far West. Coast chicken raisers are not getting the vegetable proteins and grain that used to be shipped to them from the Midwest. To add to their woes, the normal West Coast supply of protein fish meal is down sharply. Spotty, but acute, shortages exist in the eastern poultry belt, the Southeast, and the Southwest.

• **No Sell, No Buy**—Midwestern farmers are cannily flirting with what some think might be violations of OPA rules by bartering their corn and feedstuffs—more especially soybeans, but also, grain

—to elevator operators in exchange for soybean or other protein meal. Some elevator men in turn trade the grain they have for commodities that they can barter to the farmer, rather than selling it for cash. All this has led to a squeeze in the prepared feed business that is as serious as that of two years ago (BW May 6 '44, p 50).

As farmers continue to husband their supplies, a shortage of breadstuffs for domestic use and overseas relief becomes a possibility. Some southwestern flour millers say they may have to shut down within a month.

• **Herd Liquidation?**—Meanwhile, the "outs" among farmers and feed millers are pressing the U. S. Dept. of Agriculture to do something. They want Secretary Clinton P. Anderson to sign an order limiting each commercial feed grinder to production no greater than his 1945 output. This plan would be expected to force feed grains out of the areas that normally have a surplus, and channel them into the areas that have a shortage.

The "ins" want laissez faire. If feed is short, they say, livestock raisers will soon get rid of their animals. Liquidation of herds and flocks might hurt the farmers that it squeezes, but it would bring the cutback in animal population that the government is advocating. Another point: A long packinghouse strike would keep thousands of meat animals alive and eating, would thus decrease total supplies of feed available on the market.

• **Shortage Amid Plenty**—Realists in the milling trade are not hopeful that Anderson would take the risk of signing such an order. Nor do they expect farmers to heed official urgings that they voluntarily cut back production. Farmers say that the war is over, they did their share, and they are not knowingly accepting any more money-losing advice from Washington.

Facts behind the squeeze are in the pattern of shortage amidst plenty. Both grain and protein supplies are at or near record highs.

• **For Instance**—Official 1945 crop estimates are: corn, 3,018,410,000 bu. compared with 3,203,310,000 bu. in 1944; wheat, 1,123,143,000 bu. against 1,072,177,000 bu.; oats, 1,547,663,000 bu. as compared with 1,154,666,000 bu. in 1944.

Production of byproduct feeds during the 1944-45 feeding season (ended last fall) was 5% larger than in the previous year and was the largest on record—14,965,000 tons, compared with 14,249,000 tons a year earlier. These include the grain byproduct feeds—wheat, millfeeds, distillers' and brewers' dried grains—oilcakes, oilmeals, and alfalfa meal.



Averaging 103 lb. each, a flock of lambs fattened on peavine silage and grain by Stokley Foods Corp., Columbus, Wis., brought the highest prices recently for lambs offered up in the local Milwaukee market.

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Butter Blowoff

Impending price increase sets off fight over subsidy issue. Decrease in production is predicted for this year.

The whole future of food price subsidies—a key factor in OPA control over food prices (page 15)—is now being fought out over butter. The blow-off came last week when Secretary of Agriculture Clinton P. Anderson announced that the retail price of butter would have to be raised 18¢ a lb. by midyear (BW—Jan. 12 '46, p7) to take up the slack created by cessation of government subsidies to creameries.

- It's an Old Argument—Subsidies, especially rollbacks, have long been a subject of vitriolic debate between OPA and the farm bloc in Congress. Proponents of hold-the-line have contended that subsidies were an absolute necessity to keep prices to consumers within bounds and at the same time to insure continued high farm production and income. Farmers have contended that high farm prices should be reflected in consumer price levels in order to give them a cushion against future price declines.

Last November John C. Collet, Economic Stabilization Director, at the behest of the Dept. of Agriculture, swung over to the farmers' point of view, announced that all food subsidies would be terminated not later than June 30, 1946. He voiced the expectation that the decline in government demand because of the end of the war would result in lower prices for many foods, and that these reductions would more or less balance price increases caused by elimination of subsidies. Thus there was to be no net increase to consumers.

- Hearings Under Way—It is now apparent, however, that the government price forecasters boggled with their slide rules. Instead of declining, practically all food prices are now at ceiling, and the elimination of subsidies would mean either higher ceiling prices to consumers or lower incomes for farmers, or perhaps some combination of the two.

Meanwhile, hearings are being held in the various milk marketing areas to determine the increases that would have to be made in market prices of milk and butter in lieu of subsidies if farm income is to be maintained at present levels. Currently these subsidies amount to 60¢ to 90¢ a cwt. on whole milk and 17¢ a lb. on butterfat.

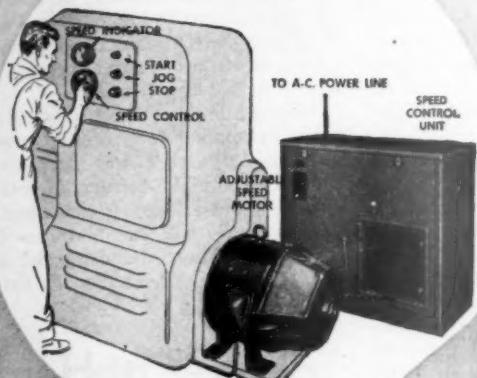
- Basic Problem—Agriculture Dept. officials point out that even if prices of

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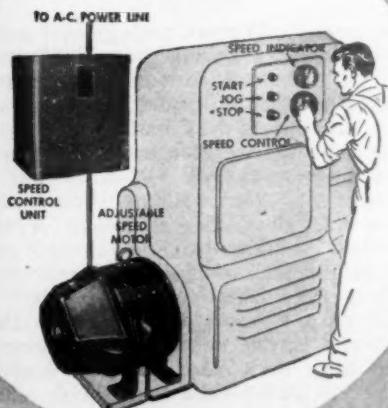


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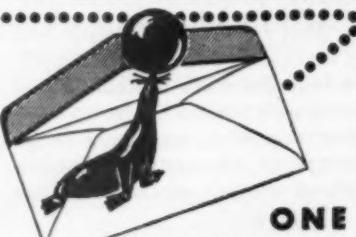
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fluid milk and butter are raised by the amount of the subsidies, there will still remain the problem of the utilization of milk and cream in the manufacture of various dairy products. They say that consumers can't drink the cream and have butter too, that no amount of tinkering with the prices of milk, cream, butter, and cheeses can alter this basic fact.

They say that butter is scarce because (1) the production of milk is smaller than at this time last year, and (2) a larger proportion of the output of milk is being drunk as fluid milk and cream. Proportionately less is being made into butter.

Total milk production is down because there are fewer cows on farms, and fewer cows are being milked. December output of milk was down 2% from a year earlier.

• **Lowest in 21 Years**—This winter's milk stock totals only 39,600,000 cows, heifers, and heifer calves—down 1,000,000 head from a year ago. A further reduction in cow stock is expected by 1947.

On top of this, the department reported last week that only 63.7% of all cows in herd were being milked on Jan. 1—the smallest proportion in 21 years of government records. Production per cow was about the same as last winter's.

Milk production will rise seasonally through next June, but still the total output will be smaller than in 1945. The Agriculture Dept. estimate is 120,500,000,000 lb. to be produced on farms in 1946, against 123,259,000,000 lb. produced in 1945.

• **Feed Stocks Lower**—Last year, the government experts had forecast the milk production at 120,000,000,000 lb. Farmers topped this by more than 3,000,000,000 lb., but it is considered unlikely that they will repeat this performance in 1946.

Farm stocks of feed grains (page 39) are 6% smaller this winter than last (protein meal is so tight the Agriculture Dept. this week reimposed set-asides to aid deficient feed supply areas), but farm stocks of hay are at near-record volume.

All of these physical factors point to less milk in 1946 unless (1) feed is diverted from other livestock, (2) the spring pastures are as good as last year's, and (3) production per cow exceeds last year's unexpected high record.

• **Less Production**—Last year, only 27% of the production of milk went into butter as contrasted with 41% prewar. The production of creamery butter was only 1,370,000,000 lb. in 1945, compared with 1,489,000,000 lb. in 1944, and with a 1,691,000,000-lb. average in 1935-39 (BW-Dec. 22 '45, p20).

Production of farm butter also declined—from 479,000,000 lb. prewar to 329,000,000 lb. in 1944, and 315,000,000 lb. in 1945.

The government economists had figured last fall that despite smaller production of milk in 1946, an additional 1,000,000,000 lb. would be available for the production of creamery butter—that the production of this item might total as much as 1,500,000,000 lb. this year.

• **May Ask Renewal**—These economists admit now that they had underestimated the postwar civilian demand for fluid milk and cream. Early winter butter production had to be pared, and instead of an increase in 1946, the economists now look for a decrease.

Department officials are reluctant to impose set-asides on cream for diversion into butter, basically because they say that cream rates higher in food value. And they won't reduce the price of cream in favor of butter, because that would reduce farm income.

Meanwhile, the whole issue of subsidies vs. market food prices is now in the laps of Collet and Reconversion Director John W. Snyder. Opinion in the Agriculture Dept. is that these harassed officials will decide to ask Congress to continue the dairy and other food subsidies at least through the end of 1946.

Told to Cut Herds

Cattlemen hear Anderson and association officials plead for reduction. Growers press fight against U.S. controls.

Western cattle growers incline to the view that there are still too many beef animals on ranches and farms. In this their attitude differs from that of farmers of the Corn Belt and adjacent states, where the present feed pinch is least acute (page 39).

The westerners have always with them the recollection of 1934, that disaster year when drought and depression combined to break all but the soundest ranch enterprises.

• **Words of Warning**—In Denver last week, members of the American Livestock Assn. got advice from two quarters. Their own officials told them to cut their herds still further, and so did Secretary of Agriculture Clinton P. Anderson, who said now is the time to concentrate on the best breeding stock and eliminate the culs.

F. E. Mollin, association secretary, said that a United States cattle population of 70 to 75 million would be about

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right, and that some such figure would be achieved if present declines were continued for another three years.

- **The Figures**—On Jan. 1, 1944, there was an all-time high of 82,364,000 cattle on U. S. farms and ranches. The total had slid to 81,760,000 on Jan. 1, 1945, and to an estimated 80,200,000 by Jan. 1, 1946. Mollin predicted that it would drop to 78,600,000 by Jan. 1, 1947, if this year's marketing goals are achieved.

Meanwhile—by resolution at Denver and in every other way open to them—cattlemen continue to press for complete freedom from government controls, specifically for an end to the present subsidies ranging up to \$3 a head, by June 30, 1946. As a counterbalance, however, they want to be freed from price controls.

- **Their Position**—This program is put forward with the explanation that if cattlemen have to pay feed prices based on parity levels achieved by the farmers who grow feeds, but at the same time receive prices held down by continued controls, they will be squeezed badly.

Anderson at Denver advised them "not to holler until you're hurt," asserting that cattlemen have not yet been injured by the government program. He said that subsidies probably will be abolished by June 30, but that price controls may remain, with a compensatory hike of perhaps one-half the subsidy.

- **High-Priced Bulls**—By one indication, at least, cattlemen are far from impoverished. Last year at Denver's National Western stock show, which continues after the cattlemen's convention, two bulls, not one, were sold for the un-

precedented price of \$50,000 each. Last month in an Oklahoma auction George Roden of Toronto bought a bull, Del Zento I, for \$51,000 (BW-Jan. 12 '46, p. 99), and there was a prospect that this price would be eclipsed at this week's Denver auction.

Cattlemen continue to demand protection for American beefgrowers from the importation of cattle from Mexico and Argentina. They are among the most vociferous opponents of any further tariff reduction.

Distressed Burley

Growers go on warpath as prices sag. Political maneuvers in affected states fail to bring averages up to OPA ceilings.

Sagging prices at Kentucky tobacco auctions last week brought threats of legislative action by state officials and dark hints from growers that they were being victimized because of a bumper crop.

- **Two Markets Closed**—Although bidding steadied after a request from Gov. Simeon Willis that auctions be halted until an inquiry could determine the cause of falling prices, the average had dropped by the end of the week to \$37.64 a 100 lb.—\$10.46 under the opening day average of \$48.10 early in December.

Demonstrations by farmers in Louisville closed two markets for most of a day, but none of the other 22 markets

in the state missed a day. The day Gov. Willis' plea, the 9,128,382 lb. tobacco sold brought \$3,450,117, average of \$37.80 a 100 lb., and a of 8¢ over the previous day.

- **29¢ Under Ceilings**—Striking an age on the grades, the overall average last week was 29¢ under OPA ceilings.

The governor's request to stop followed adoption of a resolution in House of the General Assembly urging that action, and promising a statute give the governor power arbitrarily close the auctions.

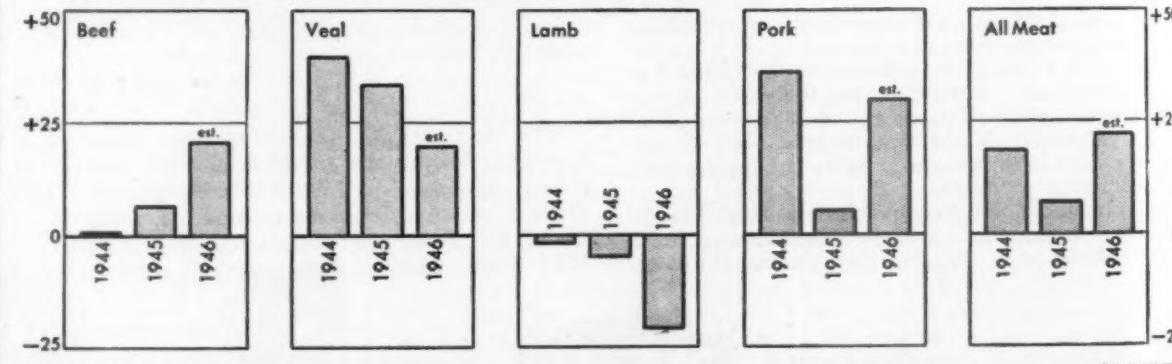
Gov. Willis had received a telegram from the governor of Virginia, who also wired the governor of Tennessee urging that all three states join in closing the burley marts because of the "distressing situation." The average burley price at Abingdon, Va., had declined from \$52.14 on Dec. 3 to \$33.00 on Jan. 9.

- **Record Crop**—The 1944 burley crop was the largest ever produced—approximately 590,000,000 lb.—and sold at a average of \$44 per 100 lb. The 1945 crop was estimated by the U. S. Dept. of Agriculture to be even larger—605,397,000 lb. But size of the crop, grows contend, has nothing to do with falling prices. Prices, they say, should be the same now as when sales started because manufacturers knew then how much tobacco would be available in warehouses.

When auctions began, burley generally sold at OPA ceiling prices, but as sales progressed prices on many grades declined. For the week ended Dec. 21 when marts recessed for the holiday

MORE MEAT FOR CIVILIANS IN 1946

Charts show percentages above or below 1935-39 average



Data: Dept. of Agriculture; American Meat Institute.

The average consumer will get a lot more meat in 1946 than he did last year or than he was able to afford before the war. He will eat more meat even than in record-breaking 1944; slaughter won't be as large as it was that year, but the military is taking so much less that a larger amount will be left over for civilians. In terms of per

capita estimates, average civilian consumption in 1946 will be 154 lb. against 135 lb. in 1945, 149.6 lb. in 1944, and 126 lb. for the 1935-39 average. But there won't be enough. At 1945 incomes, demand is believed to have averaged between 165 and 170 lb. per capita, and it won't shrink very much in 1946.



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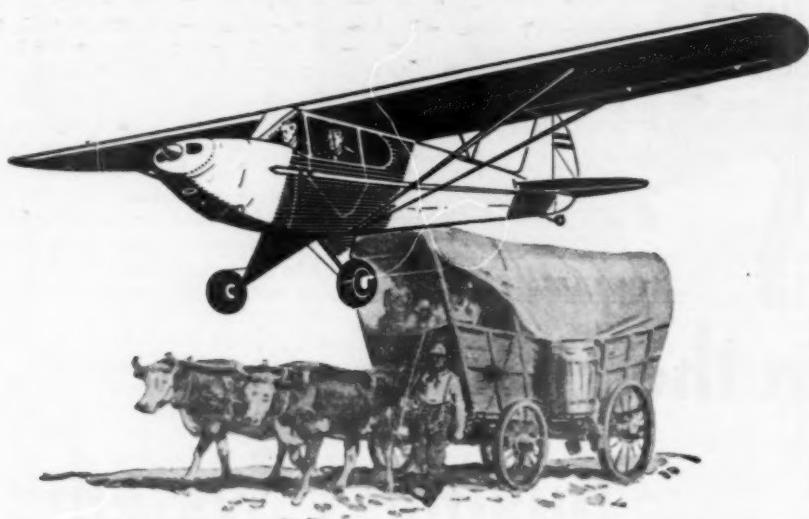
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68 grades had been sold below O.P. prices, whereas for the 1944 crop there were only 35 grades that sold below.

In the period 1934-1938, with a crop under 300,000,000 lb., the average price was \$22.20.

Kentucky farmers are suspicious that with the bumper crop at hand, buyers are sabotaging the market, and hint that political pressure forced a cut in burley production while permitting an increase in the competitive flue-cured tobacco of the Carolinas and Virginia.

• Proposals—The action they speak to remedy the situation includes a change in the parity base from the 1919-1929 period to current years—say 1941-1946, in which costs are higher; a cut in production of 20% (but only if flue-cured tobacco production also is cut); prohibitive penalty on producers who grow in excess of allotments; and a floor on prices that will be only 4¢ under the ceiling.

Billion for Cotton

Although growers expect another big year, industry is facing major problems in huge carryover, drop in exports.

The fifth consecutive billion-dollar year for cotton planters will be behind the National Cotton Council when some 300 members sit down to the eighth annual meeting in Memphis next week, and the prospects are for another rich harvest in 1946.

The crop last year was small, only 9,200,000 bales. But it brought the best price in 20 years for a return of about \$1,200,000,000.

• Back to Average?—The 1946 plantings probably will be between 20,000,000 and 27,000,000 acres. The higher figure has been approved by Washington (against 18,300,000 seeded last year) but may not be achieved for lack of manpower on farms.

But there will be more farm hands in 1946 than in 1945, and supplies of fertilizer and machinery will be larger. Thus, with the prospect of expanded acreage, most prognosticators are looking for a much more nearly average crop of perhaps 12,000,000 bales.

• New Uses Sought—With price supports under the market at 92½% of parity, cotton men are inclined to think that another billion-dollar year is in the bag. And they hope the bag will be made of cotton; new uses of the product are among the National Cotton Council's most cherished postwar projects.

Demand for cotton goods now knows

no bounds, but looking further ahead the trade has its qualms. The country spun more than 11,000,000 bales of cotton into yarn annually in the early years of the war, but the figure now has fallen back in the neighborhood of 9,000,000. During the time the mills are filling the welled-up demand, activity might move back up toward the wartime peak. Yet cotton men are well aware that the best prewar year was slightly under 8,000,000 bales.

The alternative to new uses at home is to increase exports. The subsidy program has succeeded in running shipments into the foreign market to a current rate of about 2,500,000 bales annually from between 1,000,000 and 1,500,000 during the war.

• **Trouble Ahead**—But the old export market was 5,000,000 bales or more a year. Even on a two-price system (with the government paying the difference between the domestic market and world price on cotton exported), cotton men foresee trouble regaining any such level.

The biggest single factor is the growth of surpluses in other cotton producing areas. The end-of-season carryover of old-crop cotton outside the United States before the war averaged between 7,000,000 and 8,000,000 bales as a rule. Now the figure has shot up above 14,000,000. (Foreign producers curtailed plantings during the war, but their customers' use fell off even faster.)

Supplies abroad, including both the 1945 harvest and carryover, stand at 27,000,000 bales. By way of contrast, foreign use of cotton other than American averaged about 16,000,000 bales before the war.

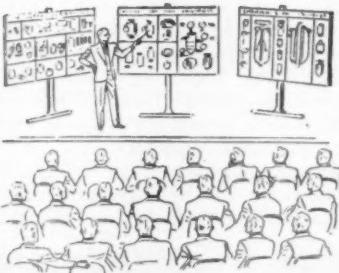
• **Much Low-Quality Cotton**—The domestic situation has many similarities to that abroad. Carryovers of old crop cotton have been rising after the decline in the early years of the war. The surplus carried forward at the start of the current cotton year last Aug. 1 was 11,160,000 bales (against a peak above 13,000,000 in 1939). Total supply, including 1945's crop, was 20,350,000 bales or enough for about two years' needs even at wartime rates of consumption.

There is one catch in the domestic situation, however, and it may limit our ability to supply home mills plus export markets. Most of the cotton from past years has been sorted through many times for the best qualities. Today's supply is unusually lacking in cotton of longer staple and of better quality.

• **Price Premiums**—Farmers probably will be urged, in 1946 as in 1945, to pick as carefully as the labor supply permits. This means making the most out of the better grades in the harvest—and reaping price premiums which have been getting bigger and bigger over the years.

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PRODUCTION

New Fields for Homogenizing

Use of technique in processing metals is one among many important industrial applications forecast by Marco Co. tests. Market will also be sought for a new unit designed for home kitchen.

"Homogenized" has become a household word, thanks to the fluid milk industry, and everyone knows that in milk so processed the cream does not rise to the top of the bottle.

The reason is that the product has been put through a machine which breaks up the fat globules and disperses them uniformly throughout the liquid, the globules being so minute that they are held in suspension by tension between their outer shell and the surrounding molecules of the milk.

• **Important Developments**—It is a far cry from milk to molten metal, but homogenization may well apply to both. Hottest of many potential developments in the technique of homogenization that may importantly affect the food, chemical, petroleum, and metal industries, homogenized alloyed metal is stronger and more uniform in its internal makeup because the alloying elements are evenly distributed and there are no blowholes resulting from gas pockets in the material.

A bit on the intriguing side is the experimental treatment of molten aluminum in homogenizers to introduce helium or some other gas and produce a sponge metal light enough to float. On a par with this is the use of homogenizers in a simple, compact continuous process for making rayon.

• **Special Advantages**—Homogenization, by either rotary or piston machines, has some particularized values, notably in foods. Homogenization of milk gives a softer curd product which is more easily digested, and homogenization of ice cream mix, evaporated milk, sour cream, mayonnaise, and chocolate coatings gives a richer tasting, smoother, better-appearing product.

Homogenization of peanut butter and any other product containing oil prevents the oil from separating and coming to the top of the jar. Homogenization of such products as baby foods may be said to predigest the material.

• **Other Industries**—In the chemical industry, homogenizers and Kom-bi-nators produce a wide variety of emulsions and colloidal suspensions, such as dyes, inks, water-proofing, and paints.

The petroleum industry homogenizes

many emulsions, including insecticides, blending oils, grease formulas, and wax emulsions.

Pharmaceutical manufacturers have used homogenization to take the "Shake Well Before Using" label off many a product.

• **In Its Infancy**—Yet the application of homogenization still is in its infancy if the uses in the things-to-come file of Marco Co., Inc., Wilmington, Del., pioneers of different homogenizer designs, may be taken as a criterion. Associated with the E. L. Cord group in its heyday, and later working with R. H. Collins, former president of Cadillac Motors, John Marco conceived his design for the rotary homogenizer after he left the automotive industry in 1934.

Till then, homogenizers were of the well-known reciprocating-piston type which, in effect, forces a fluid through an orifice under pressures up to 3,000 lb. per sq. in. or higher, the principle fathered by the Frenchman Gaulin when he fashioned a crude homogenizer from a steam cylinder and piston in the early part of this century.

• **Rotary Machine**—Refined over the years, the piston homogenizers had become an important piece of equipment

in some of the food and process industries when Marco set out to develop his rotary machine, and they are still used extensively.

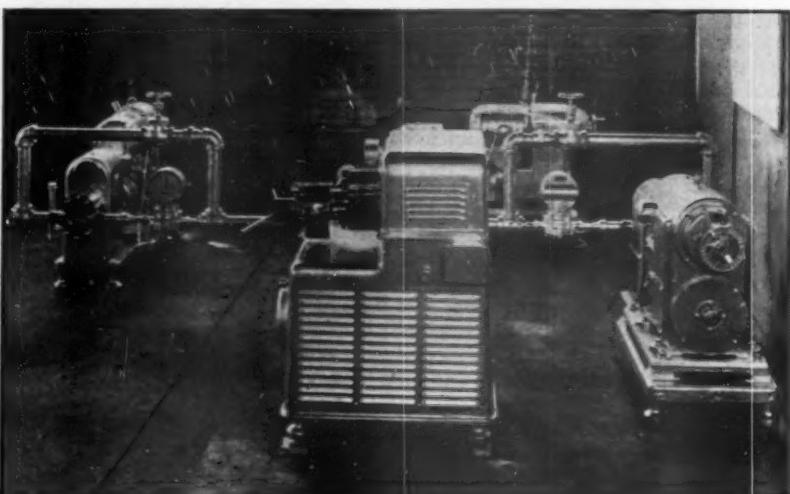
The rotary unit consists essentially of a couple of toothed rotors, resembling sprocket wheels inclosed in a chamber. These meshing rotors are mounted on shafts which are geared together outside the chamber.

• **How It Works**—As they revolve, they pump the product that is being homogenized from the inlet to the outlet of the chamber under pressure that can be varied from 25 to 750 lb. per sq. in. The teeth effect a compounding and high-frequency action which mechanically breaks down large particles contained in the fluid pumped into the chamber. Additional homogenization takes place as the fluid passes through a rotary valve held by a spring and compression plates. In principle, this machine differs from the earlier homogenizers in that it operates at lower pressure and with continuous, nonpulsating action.

As frequently happens with new inventions, the first rotary homogenizer built was not a success. Because both the rotors and the chamber were of stainless metal and the clearances were necessarily quite small (0.0002 in.), seizure and galling of the metal became Marco's big headache. Finally a special stainless alloy was developed to overcome this difficulty.

• **Widens Market**—For its first market, the company picked the dairy industry. Immediately successful in homogenizing milk, the machine was soon put to work on other dairy products—ice cream mix, cheese, chocolate milk, and evaporated milk.

Turning to chemicals and petroleum



In a new continuous grease process, positive-displacement pumps deliver correct proportions of three ingredients to a Kom-bi-nator (center) for uniform blending and mechanical refining—a technique applicable to other products.

products, Marco saw the need for a machine which would grind, mix, blend, emulsify, homogenize, and stabilize light or heavy viscous materials all in one operation. The answer to this was the Kom-bi-nator, in which the material being processed is passed between radially grooved rotors and stators and solid particles are reduced to a fineness as small as one micron (0.0000394 in.).

• **Practical Applications**—This machine will even convert chopped whole apples—peel, core, and all—into a smooth applesauce. When it was first perfected, a candy manufacturer asked Marco if it would work on a caramel-type product made in large volume for national distribution. Marco said that it would produce a candy of better consistency, taste, and appearance, and would cut processing costs.

It did as predicted, except that it reduced costs twice as much as forecast by saving three minutes in cooking each batch. It also prevented the wrappers from becoming soiled with oil from the candy, since the oil was so intimately dispersed that it did not seep out.

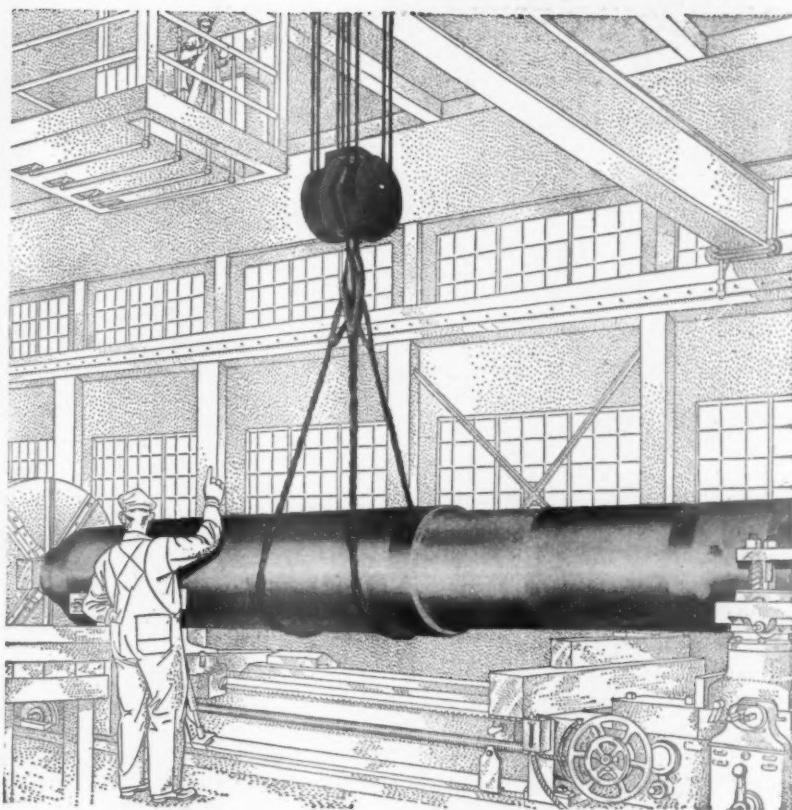
• **Continuous Operation**—One of Marco's convictions is that there is plenty of room in the food and chemical process industries for replacement of batch methods with continuous operation to speed the process, cut costs, save floor space, and give more uniform quality. One of the outstanding applications of his machines is in a newly developed continuous process which makes chocolate liquor from cocoa bean nibs in 48 seconds, eliminating a conventional operation that requires 50 hours or more.

The beans are roasted, cooled, cracked, and fanned to remove shells and dirt. Then the nibs are fed dry into a Kom-bi-nator for grinding and liquefying in their own oil.

• **Into Other Machines**—Passing into a receiving tank to release acid gases to the atmosphere, the material goes through a second Kom-bi-nator for further grinding, and there mechanically generated heat effects the first stage of pasteurization.

The process is completed in two more Kom-bi-nators, with cooling and aeration following the second and third machines, and the fine liquor discharges at the rate of 1,000 lb. to 1,200 lb. an hour. The equipment takes up only 4x14 ft. of floor space, uses 45 hp., and is said to cost less than any other equipment of the same capacity.

• **Heating or Cooling**—Processes requiring the application of heat or cooling during homogenization can be handled by the Marco machines, as they can be equipped with steam or water jackets around the homogenizing head. This makes it possible to homogenize



Slick as a whistle . . .

and we mean the *method of handling* this heavy shaft, as well as its smooth surface. The same dependable Yellow Strand team that conveyed the rough forging to the lathe will safeguard the machined product through its final stages.

★ You stand to gain, too, by pairing Yellow Strand Preformed Wire Rope and Yellow Strand Braided Safety Slings. For patented *preforming* and *braiding* engineer added flexibility into rope noted for stamina. Matched Yellow Strand units are promoting a better flow of work, lower costs, for mills, factories, railroads, utilities . . . just as they will deliver on your closely-figured operations.

Specify both constructions clearly: Yellow Strand Preformed Wire Rope and Yellow Strand Braided Safety Slings.

Broderick & Bascom Rope Co., St. Louis

Branches: New York, Chicago, Houston, Portland, Seattle. Factories: St. Louis, Seattle, Peoria

**YELLOW
STRAND**



PREFORMED WIRE ROPE • BRAIDED SAFETY SLINGS

HOW A DISSTONEER SAVED A MANUFACTURER

\$65,000 PER YEAR



It was on a job where extruded aluminum alloy stock, $\frac{3}{4}$ " thick, was being cut with a power-fed saw. This job was requiring 12 saw changes for 10 hours' work.

A Disstoneer*, invited to study the problem, recommended the use of inserted section carboloy saws. On a test, 1275 pieces of stock were run off in 5 hours (one-half the former time) and the carboloy saw was still going strong without visible dulling. In this, as in many other cases, it proved its ability to hold close tolerances even to .0015".

The savings made by the use of these saws are impressive.

*Another clear-cut case
of Disston leadership*



You may have no need for inserted section carboloy saws, but like many others you may have an operation that can be performed better by the use of the —

DISSTON SKIP TOOTH BAND SAW

The skip tooth pattern, because of wider spacing, permits faster feeding without clogging. This is an exceptionally tough, hard-edged, flexible-back band saw designed for machines operating at speeds of 3000 f.p.m. and over. Recommended particularly for cutting aluminum and magnesium metals, but can be used with excellent results in cutting corrugated board, dry ice, meat, bone and other materials of similar natures.

HENRY DISSTON & SONS, INC., 128 Tacony, Philadelphia 35, Pa. U.S.A.

and flash-pasteurize milk or other fluids in one operation. Products can also be bleached by the machines.

Fine comminution and uniform dispersion effected mechanically will bleach some products, and others are made white by piping oxygen, carbon dioxide or some other gas into the inlet side of the machine so that it goes through with the product that is being processed and is intimately mixed with it.

• **Compensating for Wear**—But a feature of the homogenizer of particular pride to the inventor is that normal wear can be compensated for to maintain the volumetric efficiency. An adjustment on the machine takes care of wear of the periphery of the rotor teeth and side plate within the homogenizing chamber automatically moves out to take up the wear between the rotor and stationary parts.

The Marco Co. operates its own research laboratory, where technologists take on problems from industry and show what can be done with homogenization equipment. This lab has played a major role in the success of the company, because it has had to demonstrate to tradition-bound manufacturers the merit of new methods.

• **Sales Policy**—The laboratory backs up the salesmen, who are instructed not to sell a machine unless it can be proved that it will improve the process. The salesmen are also told not to sell the Kom-bi-nator where the straight homogenizer will do the job.

Not content with his successes in the industrial field, Marco is going after a consumer market with a kitchen-size homogenizer-Kom-bi-nator designed to do everything that a home grinder and mixer can accomplish, plus what the commercial machines will do.

• **Sanitary Pipe Coupler**—Another new product—this one for industry—is a sanitary pipe coupler which connects and disconnects with the flip of a finger-operated clamp. Also new are pumps requiring no lubrication, a metering and proportioning pump, and a sanitary seal for pump and compressor shafts.

The seal consists of a fibrous material between two stainless steel cups, and pressure within the machine forces it to a tight fit, regardless of wear in the equipment.

• **Variable Speed Reducer**—Another engineering project is under development—a positive-displacement, hydraulic variable-speed reducer of new design, for which is claimed infinite variations in speed from zero to top r.p.m.

Still being expanded, the company's distribution setup includes branch offices and warehouses in Boston and Chicago, a distributor in California, and dealers in other territories. Distribution ultimately will extend to other countries.

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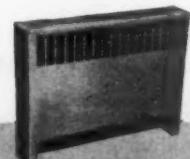
Trane engineers developed this small exhaust-gas heater to help warplanes combat dangerous flying weather. Diminutive but powerful, it warmed the cabins and melted perilous wing-ice in frigid temperatures. An equivalent amount of heat would warm a 36-room apartment building.

But an airplane engine is not the practical source of heat for your home or office. Far better is the new, efficient Trane Convector-radiator, operating from a conventional heating system.

Although a successor to the old-fashioned cast iron radiator, the Trane Convector-radiator utilizes new principles to bring instant, pleasant warmth to an entire room at the touch of your finger. And its sleek, rounded contours harmonize perfectly with any room's beauty-scheme.

The Convector-radiator and other Trane developments are

not dreams of tomorrow. They are realities of today, available through your engineer, architect or contractor.



THE TRANE COMPANY

FIRST IN ENGINEERED CLIMATE

MANUFACTURING ENGINEERS OF HEATING, COOLING,
AIR CONDITIONING AND AIR HANDLING EQUIPMENT

LA CROSSE, WISCONSIN
TRANE COMPANY OF CANADA, LTD., TORONTO



NOW...A TOUGHER, LONGER-LASTING LOW-COST PROTECTIVE COATING

NEOLUX armor coats metal, wood and concrete against acids, alkalies, water, alcohol AND AGE. For, when NEOLUX dries, it leaves a tough film of pure plastic impervious to fumes and weather. NEOLUX is non-oxidizing . . . resists crazing and checking; puts up an air-tight defense against corrosion.

NEOLUX brushes on easily . . . dries quickly, even over most painted surfaces. And the most severe tests forecast longer life than any known oil-base paint. Now it's ready to cut your maintenance costs. Available in Black, Gray, Green, Clear and Ready-Mixed Aluminum.

- LOW ORIGINAL COST
- GALLON COVERS 450 SQ. FEET
- NO PRIMER NEEDED . . .
2 COATS AMPLE
- LEAVES NO SKIN IN
CAN . . . NO WASTE
- EXTREMELY LOW PERMEABILITY
- RESISTS HEAT UP TO 265° F

SPECIAL Introductory Offer for Comparative Test Purposes

One quart of either Neolux Black, Gray, Green, Clear or Aluminum, plus one pint of Neolux Thinner, \$2.80 prepaid anywhere in the U. S. A.

NEOLUX protects structural steel, walls, bridges, tanks, machinery, elevators, fences, cement blocks, brick, stone . . . most everything.

**CHAMBERLAIN
ENGINEERING
CORPORATION**

5000 BRIMFIELD RD., AKRON 9, OHIO

Stainless W

New chrome-nickel type steel, heat strengthened and hardened, has wide variety of commercial applications.

Metallurgists have tried for years to produce a stainless steel of the chrome-nickel type which could be strengthened and hardened by heat treating instead of by working it cold. They knew that such a stainless would be a multipurpose metal that ought to find wide application in industrial equipment because it would offer high strength and corrosion resistance in all wrought and cast forms.

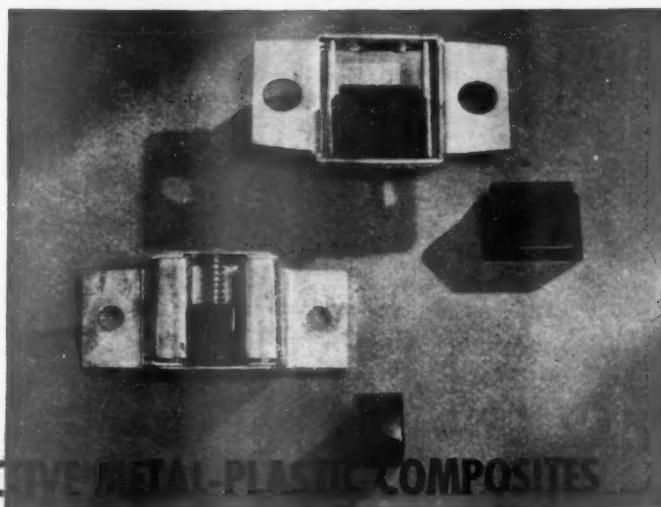
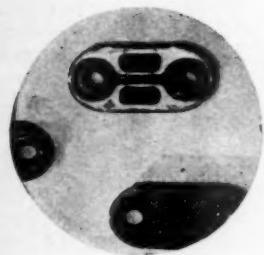
• Used in Food Machinery—The first inkling that such a steel would be produced came in 1942 but developments were hidden behind wartime secrecy. Now the curtain rises on Stainless W, a new heat-treatable steel of the general 18-8 type (18% chromium, 8% nickel), developed by U. S. Steel's Carnegie-Illinois subsidiary and covered by U. S. Patents 2,381,416, 2,374,388, and others pending.

Preliminary commercial applications have been in equipment such as cans and rollers for food handling and bottling equipment, where strength, hardness, and corrosion resistance are requirements. The new metal also is rated a "natural" for bearings, valves, and other parts of food, chemical, and petroleum plant machinery, as well as for some types of structural work. Knives made of it should be hard enough to hold a keen edge.

• Easy to Fabricate—Stainless W can be formed into sheets, billets, bars, wire, or tubing, and can be forged into any shape or size. Heat treatment is said to develop uniform hardness throughout large cross-sections and wartime experience indicates that the steel can be treated in standard equipment and that warping or dimensional changes do not occur in hardening operations.

Ease of fabrication is also reported, strong joints being produced by spot welding, as well as metallic arc, atomic hydrogen, and heli-arc welding, particularly when welding is followed by heat treatment. The metal's machinability is rated slightly better than that of the regular 18-8. Strongly magnetic, the steel may have special uses that are not at once apparent.

• Contains Titanium—Although Stainless W is stiff to work, it reportedly can be die-formed and heat-treated in sequence as many times as necessary in complex shaping operations. Then it may be heat-treated to develop the final



DEMONSTRATING EFFECTIVENESS OF METAL-PLASTIC COMPOSITES

The slamming of a door, particularly a truck door, puts a terrific strain on the materials which must stand the impact of this sharp contact. The contact wedges and take-up units illustrated are especially designed for this purpose and serve as an excellent example of the effectiveness of a metal-plastic composite.

Why Plastics?

Both the sliding wedges and the contact members were originally made from either die-cast metal or graphite-impregnated bronze. There are, however, a number of very definite advantages gained by molding the pieces of plastic. For one thing, the danger of corrosion is completely eliminated. Furthermore, wear is reduced considerably, for neither the metal nor the plastic tends to wear the other. Then there is the added feature that no finishing operations are necessary with the plastic pieces other than the removal of a slight flash or fin.

Why Phenolic Plastics?

Because of the wide range of desirable properties which are inherent characteristics of all phenolic plastics, one from this group was selected to do the job required of these take-up units. Impact strength, for example, was a prime requisite because both the sliding wedges and the contact members are subjected to terrific strain when the door is slammed. Then there is the lubrication problem. This is automatically taken care of by the inclusion of graphite as a filler material in the phenolic used. This provides self-lubrication. Noise is also reduced, for one of the unusual properties of phenolic plastics is non-reverberation.

Why Durez Phenolic Plastics?

As specialists in the development and production of phenolic plastics for the past quarter century, Durez laboratory technicians have gained the rich background necessary for maintaining the

leadership of the more than 300 multi-proprietied Durez phenolic molding compounds available today. Manufacturers in every field of industry are making it their practice to look to Durez phenolics for the plastics that fit their jobs.

Valuable Assistance Available

Our technicians can give you a number of examples of effective metal-plastic composites . . . examples which decisively prove that these two basic materials can be combined to make a better product . . . combined to do a job more efficiently than could either of the materials used alone.

The competent advice of experienced Durez service engineers and a wealth of proved product development data are available at all times to you and your custom molder. Durez Plastics & Chemicals, Inc., 21 Walck Road, North Tonawanda, N. Y. Export Agents: Omni Products Corporation, 40 East 34th Street, New York 16, N. Y.



PLASTICS THAT FIT THE JOB

hardness and strength that are required. Of the ingredients that give the new stainless its special characteristics, titanium (0.7%) is the most important, making hardening by heat treatment possible. The metal also contains—in addition to the basic iron—carbon (0.07%), manganese (0.5%), phosphorus (0.01%), sulphur (0.01%), silicon (0.50%), nickel (7%), chromium (17%), aluminum (0.2%), and some nitrogen.

Sound Conquests

Victory over motor roar and improved communications at high altitudes point the way to peacetime gains in acoustics.

As far back as 1940, the British reported that airplanes returning from long flights were crashing short or to one side of landing fields for no other reason than the stupefying reaction of engine roar upon the pilot's perception.

It was then that the U. S. Army Air Forces asked Harvard University to quiet the noise inside big bombers, and the Electro-Acoustic Laboratory was established, under the directorship of Dr. Leo L. Beranek.

• **Another Assignment**—A few months later a second, and even more important, assignment came along—to improve to the point of combat practicability communications between crews of aircraft flying at altitudes above 20,000 ft.

Out of the first project came the principle that the surface area of fibers in sound insulating material should be large compared to their weight. This brought the development of Fiberglas AA with fibers 1/100 as thick as a human hair.

• **Into Blankets**—With a plastic binder, the fibers are formed into a blanket $\frac{1}{4}$ in. thick and weighing 1/20 lb. per sq. ft. Two such blankets are sewed to opposite sides of asbestos paper and mounted inside the plane, about 3 in. from the fuselage walls. This made the Superfortress one of the most quiet planes in the air, and the insulation went into the majority of long-range military planes built after 1941. It now is keeping engine roar out of the ears of civilian air travelers.

To study voice performance at high altitudes, the laboratory developed an audio-spectrometer which splits speech into 13 tone bands.

• **Voice Behavior**—Operated in a tank where high altitude could be simulated, this instrument revealed that at 35,000 ft. a voice decreases to about one-tenth of its normal intensity and is characterized by low, booming notes.

Compensation for these deficiencies brought an improvement in high-altitude communications which was credited by a general of the Army Air Forces with contributing as much as many of the highly publicized radar equipments to the success of bombing raids over Germany.

Radio amplifiers which automatically increased their power at higher altitudes were the answer to the weak voice. The booming sound was corrected by

microphones and amplifiers which emphasized the higher notes more than the lower ones.

• **Echoless Chamber**—Perhaps the most interesting invention of Dr. Beranek and his associates is the anechoic (echoless) chamber for simulating atmospheric conditions at heights of 1,000 to 3,000 ft.—where there are no buildings, walls, or ground to reflect sound.

Housed in a concrete 38x50x38-ft. building with 1-ft. walls, the chamber is lined with 20,000 wedge-shaped pieces cut from eight carloads of Fiberglas PF insulating board and covered with muslin bags. About 45 in. long and 8 in. square at the base, the wedges are held 10 in. from the concrete wall by a wooden framework, each wedge turned at right angles to its neighbor.

• **For the Future**—To prevent sound waves from traveling parallel to the walls behind the wedges, an egg-crate assembly of fiberboard in 6x16-in. cells was placed back of the framework. Testing apparatus is conveyed into the chamber on small cars which move along a 4-ft. track suspended 12 ft. above the floor by cables.

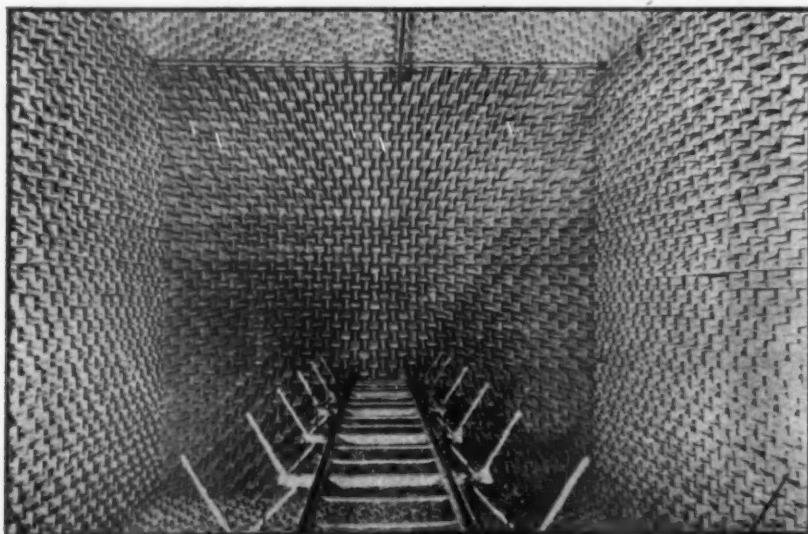
Finest of its kind—99.9% of the sound wave energy is absorbed on a single reflection—the chamber will assist future advances in acoustics.

PACKAGING PROGRESS

Transparent packaging of fruits and vegetables, to reduce spoilage and to facilitate self-service in retail markets (BW—Aug. 18 '45, p92), has been delayed somewhat by shortages of packaging materials. But technical advances have been made in this type of packaging, not the least of which is the use of wrappers to protect the product, yet permit it to "breathe," as it must to continue its living processes and remain fresh all the way to the kitchen.

Practically all fruits demand a proper balance between water vapor, oxygen, and carbon dioxide. Certain varieties of apples, for example, keep best in an atmosphere containing 7% to 10% of carbon dioxide; any excess of that amount discharged by the fruit should escape from the wrapper. At the same time, enough oxygen must pass in to support metabolism, and enough water vapor escape to prevent condensation.

Technicians of the Goodyear Tire & Rubber Co. are said to have devised means of compounding Pliofilm with modifying agents to obtain films especially suited to each product. They also have developed a wrapping machine which stretches the material to a thinness of 0.001 in. for application to citrus fruits which do better when carbon dioxide escapes relatively rapidly.



Lined with muslin-covered wedges of Fiberglas insulating board, an echo-free chamber in Harvard's Electro-Acoustic Laboratory which simulates sound conditions existing at high altitudes by absorbing sound waves was vital in developing wartime communications units, will aid future advances in acoustics.

NEW PRODUCTS

Heat and Sun Lamp

Infrared rays for heating, hair drying, and therapeutic purposes and ultraviolet rays for a vitamin D tan come from opposite ends of the new dual Select-o-Lamp Fixture. Resembling a streamlined automobile headlamp, but smaller,



12-lb. ivory enameled lamp developed by Westinghouse Electric Corp., at Pittsburgh, is supported on a chromium-finished, sliding-tube stand which adjusts to a height of 40 in. to 5 in. The lamp assembly can be removed from the tube for conversion to a table model. A two-way three-position switch selects the heat lamp or sun lamp, as desired.

Operating life of the heat lamp is rated at 5,000 hours, and that of the sun lamp at 400 applications of 5 to 15 minutes. The sun lamp is said to provide a tan in 5 minutes than a person could acquire in 15 minutes on a beach under a July sun.

Air Plane Radio

Although it weighs only 4½ lb., including power supply and shock mounts, the new personal-aircraft radio receiver developed by Bendix Aviation Corp., at Joppa Rd., Baltimore 4, operates in two frequency bands. It receives regular radio broadcasts on 550 to 1,500 cycles and signals or messages from airport control towers, civil airway stations, and range stations on 200 to 400 cycles, and a built-in range filter is used to assure clear reception of weather reports and airway control communications. Either loudspeaker or headphones

can be used with the receiver, and, with a loop antenna, the set permits radio-station homing as an aid to navigation.

Measuring 4½ in. high, 5½ in. wide, and 7 in. deep, the receiver fits into the plane instrument panel.

Multiple Accounting

Savings as high as 40% in cost and 66% in time, compared with conventional bookkeeping methods, are claimed in test uses of the new Multi-Matic Accounting System. Developed by Remington Rand, Inc., 315 Fourth Ave., New York City, the system is designed so that a number of financial or

THINGS TO COME

When photographic equipment becomes plentiful again, there will be available to amateur movie makers an 8-mm. camera with a F2.8 lens which is said to require no fussing with a light meter and F stops. A stationary scale on the lens will have a mark for winter and one for summer. Calibrations for bright, hazy, and dull light conditions, on a movable scale, adjust the opening of the lens diaphragm.

- A new series of bactericides which are not choosy as to what germs they attack may be available before long. Chemical marriage in the laboratory of sulphur compounds and iodine happily has produced sulphaiodines, said to be more effective than either of their components. In addition to being nonspecific in their action, the sulphaiodines are reported not hindered by chemical substances present in wounds, as are the better known sulphur compounds. It is also claimed that they do not damage body tissue, as do iodine solutions, under a bandage.

Chemical divorce of the sulphaiodines is reported to have proved beneficial, too, producing converted sulphonamides containing no iodine but improved in efficiency by chemical change.

- Just beginning to trickle in, quick frozen tropical fruits, vegetables, and seafoods from Cuba are scheduled for fast air shipment to this country in increasing quantities in the months ahead.

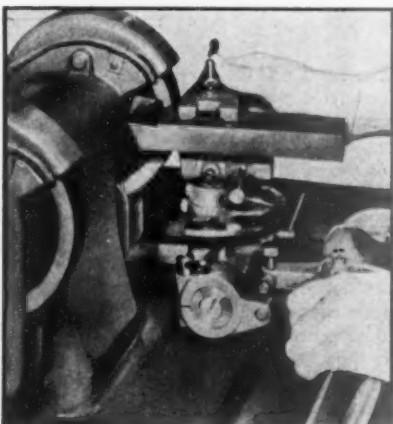
statistical forms can be arranged one on top of the other, with proper alignment of the columns. An entry on the top form is then transferred by carbon paper to each of the forms underneath. Pay checks, employee earnings history records, and the payroll register, for example, can be prepared simultaneously, and multipurpose entries are said to be permitted in general ledger accounting, eliminating transcription errors.

The system is said to make possible a daily and a period-to-date financial statement, with proved balances of totals and of each operating account, and yet not require skilled accounting help. It is designed particularly for small and medium-size businesses and branch offices of large companies.

Reciprocating Tool Grinder

Carbide tools 1½ in. square or smaller, for lathes, automatic screw machines, and other metal-cutting equipment, are ground with a back and forth movement against the face of the diamond wheel in the new Reciprocating Grinder developed by E. F. Hager & Son, 98-02 217th Lane, Queens Village 9, N.Y. And following the rough grind, the tool can be moved to the finish grinding wheel without removing it or changing the settings for the clearance and cutting angles. This machine has a built-in universal tool holder (with protractors for setting the grinding angles) which pivots on a shaft to permit the reciprocating motion and slides axially along another shaft to move from one wheel to the other.

Keeping the tool in motion while grinding is said to prevent the carbide



tip from splitting, save wear on the diamond wheels, and avoid localized overheating of the tool. Constant mechanical control of the tool is claimed to speed grinding and to assure precise angles ground to a lapped finish, even with unskilled operators.

FINANCE

(THE MARKETS—PAGE 110)

Regal Shoe Offering Slated

Store chain revamps its structure in preparation for sale of common stock. Move is fostered by John J. Daly, who is keeping company independent of his Spencer Shoe Corp.

Regal Shoe Co. of Whitman, Mass., operator of the chain of Regal shoe stores, is about to add itself to the growing list of privately owned companies which have decided to invite the public to participate as stockholders.

According to usually reliable Wall Street sources, Regal Shoe, all of whose stock has heretofore been very closely held, is comprehensively revamping its financial structure. This involves a new common stock issue, and the operation is expected to culminate shortly in the public sale of 300,000 of the new shares at a price of around \$6 each.

• **Behind the Changes**—In charge of the financing will be the New York investment banking house of Van Alstyne, Noel & Co., or the very same firm currently engaged in converting New Orleans' Higgins Industries, Inc., into a publicly owned enterprise (BW—Jan. 12 '46, p80).

The man responsible for the coming changes in Regal ownership is John J. Daly, an aggressive New Englander who recently became president of the company.

Daly, who has dealt with various aspects of the shoe industry throughout his business life, first entered the Regal picture last fall when he and a brother, Charles Leo Daly, purchased control from the estate of E. Jared Bliss, Sr., who had founded the enterprise 52 years before and had guided its destinies until his death in the summer of 1945.

• **Price Policy**—Ever since it was organized, Regal has made and sold men's shoes at a single price. The same policy and the same retail price, \$6.60, have been maintained by the Daly interests since they purchased control. That was to be expected. John Daly is recognized in the trade as one who knows how to make money, and no one is more aware than he that Regal's \$6.60 price tag has turned in a tidy profit over the years.

Daly is also active chairman of Boston's Spencer Shoe Corp. (assets over \$2,500,000) which manufactures low-priced men's shoes for the wholesale trade, for one of the larger mail-order houses, and for its own retail shops.

• **Independent**—Thus far, Daly has kept Regal independent of his Spencer Shoe

Corp. There has been nothing in his actions to indicate the possibility of any impending physical merger of the two organizations.

There is, however, very definitely a "community of interests," and there are indications that these two Daly companies will cooperate whenever possible. Both, for example, are about to join forces in the cutting and manufacturing of shoe leather products, and this is expected to produce mutual savings in operating costs.

• **New General Manager**—Daly is making other changes in the Regal setup. Already installed, for instance, is a new general manager, John Conathan, who formerly held an important post with

W. L. Douglas Shoe Co., whose store chain, along with the Flagg, French, Shriner & Urner, John Wanamaker, and the London Character Shoe groups, provides Regal's chief competition.

Some changes in the scale of Regal production are likewise contemplated. At its prewar peak, Regal employed most 700 workers who turned out 4,000 pairs of men's shoes daily for the company's retail store chain. Daly has launched a "5,000 Club" to boost output to 1,000 pairs a day. Uni-Shoe Machinery Corp. is now surveying Regal's manufacturing facilities to determine the best methods for modernizing its present layout.

• **Holding to Its Line**—It is believed that, for the present, Daly is considering only an improved production line and new machinery rather than any novelties in the company's regular line of shoes. In fact, the only new model apparently planned to date is a "loafer" which Regal formerly purchased elsewhere. The company is expected to continue to purchase its store requirements of women's shoes from outside sources.

However, the new interests now in control of Regal's affairs are reportedly definitely planning to expand the com-



HEADS TOGETHER FOR A BIG CAMPAIGN

Ernest Kanzler (left), chairman, Arthur O. Dietz, president, and S. D. Mardon, vice-president, of Universal C. I. T. Credit Corp., headed a council war in Chicago recently as the operating subsidiary of C. I. T. Financial Corp. girded to meet postwar competition. More than 30 Universal vice-presidents gathered to perfect plans for auto and appliance financing and to recapture the \$945 million volume drop suffered by C. I. T. when instalment buying took a war tumble (BW—Oct. 6 '45, p66). Like other finance companies, C. I. T. has a wary eye on new banking ventures into dealer financin



GREAT EXPECTATIONS! ... But Will It Measure Up?

AFTER many months of wishing and wanting the American family (43 millions of them) goes out and gets what it wants. Your new product (postwar model) is delivered as the family watches with eager expectancy.

Many a business and industrial reputation will be made or broken by this American family and thousands of families like them. Only as your product measures up in performance through the years will the great expectations of your customers be fulfilled.

Depending on how it is made your product may bring disappointment and "knocks" or sales building praise—its future fate lies in the hands of your designers, engineers and production men.

You can meet the challenge by making your products measure up to new standards of usefulness—durability—beauty—to be sold at a price that offers lasting value.

Provide your production men with equipment to build better products at lower cost—the newest and finest of modern machine tools.

* * *

Better production at lower cost is the starting point of industrial progress—steady and increasing employment. Look at the facts of INDUSTRIAL PAR and check your company's future in its terms.

KEARNEY & TRECKER CORPORATION
MILWAUKEE 14, WISCONSIN



Milwaukee Machine Tools

BETTER PRODUCTS — BETTER EARNINGS SPRING
FROM BETTER MACHINE TOOLS



Recognize and respect the wearer of an Honorable Service Button. It is a badge of honorable service issued by our Government to veterans of the Army, Navy, Marine Corps and Coast Guard.



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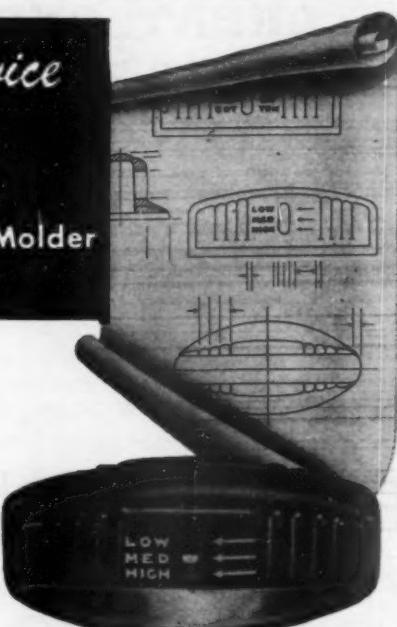
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pany's chain of retail stores, which now number 70 compared with 89 operated before the war. In particular, they are eying Portland, Me., and other cities of its size where they believe the company could do a thriving business when merchandise is again available in quantity.

• **Financial History**—Like most privately owned corporations, Regal Shoe has rarely published any financial statistics in detail, and no figures are yet available on its 1945 operations.

Generally speaking, it is believed to have made money during the war years despite labor shortages which reduced production by about a third and a cut instituted in 1942 (the first time Regal shoes have retailed for other than \$6.60 since 1924) which sent the price of its shoes down to a \$5.95 level for a short time.

In December, 1944, it was able to pay off dividend arrears of \$14 a share which had accumulated on the preferred stock then outstanding, and last year cleared up the remaining \$12.25 a share arrearage.

• **Assets and Liabilities**—As of Dec. 31, 1944, the company reported total assets of \$6,494,000, including "good will" valued at \$2,500,000. Current assets including cash of \$1,577,000, were \$2,269,000 and current liabilities were \$1,063,000. Also disclosed were \$2,036,000 of 7% preferred stock, 25,000 shares of no-par value common stock carried at \$2,000,000, paid-in surplus of \$709,000, and earned surplus of \$693,000.

Soon after the Daly purchase of the Bliss interests in the company, the Regal bylaws were amended to make the previously noncallable preferred stock redeemable at par. It has since been retired at \$100 a share. This was not agreeable to all concerned. The minority holders, in fact, promptly sought court action to have the move declared illegal, though their case, as understood, has since been settled.

• **Daly's Career**—Before his Sperry Shoe connection, John Daly was long associated with his father's company, C. H. Daly Sons Shoe Co., Inc. Early still, he was active for some time in his own as a partner in Hall, Doyle & Daly, a Brockton (Mass.) shoe manufacturer and in Beckwith Mfg. Co., maker of box toes.

Daly, a heavy-set six-footer in his fifties, hasn't confined all his recent activity to the shoe trade. For some time he has been a director of Republic Aviation Corp., which in 1943-44 turned out almost \$650,000,000 of fighter planes for Uncle Sam. He likewise found the time to become quite a sailor and to maintain a year-around home in Hyannisport on Cape Cod so that

an indulge in that pastime whenever possible.

Spencer Holding—His original connection with the Spencer company dates back to its purchase of C. H. Daly sons in the late 1920's. Through marriage, control of the largest individual stock holding in Spencer has come into his hands. Charles Leo, the brother associated with John Daly in his Regal purchase, is likewise prominent in Spencer affairs.

Chase No. 1 Again

California bank reports big percentage growth but it drops to second place. Loans and earnings trend picks up.

San Francisco's Bank of America J. T. & S. A. must again be content, for a time anyway, with being the nation's largest statewide banking chain. Its reign as the world's largest commercial bank (BW—Oct. 20 '45, p76) proved brief, lasting only through the final quarter of 1945. Once again New York's Chase National Bank is first, this time with a commanding \$400 million lead in deposits (box, page 68).

All-Time Records—Such quick reattainment of the title was made possible by the Chase by its unprecedented \$1.1 billion fourth-quarter gain in deposits. Contributing mightily was the addition of \$644 million in its government war loan deposits; its total deposits by the year-end moved beyond \$5,700,000,000, the highest deposit level ever reached by any single commercial institution in banking history.

Equally record-breaking was the size of Chase's total resources—only slightly under \$6,100,000,000. The Chase thus became the first and only bank to cross the \$6 billion mark in resources, just as it so long ago it was the first to pass the \$5 billion milestone.

Pace Too Fast—During the 1945 calendar year the Bank of America displayed above-average growth, its deposits rising some 23%, compared with 16.7% reported by Chase, and the 13.8% average gain of the nation's 15 largest commercial banks.

Amadeo Peter Giannini's California Stewart, however, found the pace set by Chase in the last three months of 1945 altogether too swift. It reported only a 14% deposit gain in the October-December period, compared with Chase's 24%.

Widens Lead—Bank of America, nevertheless, could point to some impressive figures—deposits of \$5,400,000,000 and resources over \$5,600,000,000. It

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January 9, 1946

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January 10, 1946.

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Incorporated**

could boast, too, that it had widened lead over its nearest competitor, Manhattan's National City Bank, which retained its No. 3 position.

There are a number of other facts, however, just as clearly revealed, "bigness" in the 1945 year-end statements now flooding the market.

Much in evidence, for one thing, is the inflation of over-all deposits by Victory Loan drive concluded at end of last month. Also revealed: (1) the growing profitability of banking business; (2) the almost less nature of the operations now conducted by many banks, both large and small; and (3) the recent upturn in business loans.

• **Some Exceptions**—The Chase, for example, wasn't the only institution whose deposits were materially inflated at close of 1945 by the federal government's \$21 billion take in its Victory Loan operation. The effect of the financing was widespread, most notably in the banking system disclosing increases in their year-end war loan deposit accounts. Chase reported \$1,200,000, or 23% of its total deposits, while such deposits accounted for 10% of Bank of America's total and for 10% of National City's.

There were some exceptions, however, because of the Treasury's move of last October limiting war loan deposit accounts of all banks to 30% of their other deposits, including savings accounts.

Cleveland's Union Bank of Commerce, for instance, unlike the leading banking institutions in the biggest city, has no savings department.

Therefore, its war loan deposit count had dropped off from \$40,250,000 to \$27,614,000 by Dec. 31 although the bank sold more than \$36,000,000 in Victory Loan issues. Moreover, it is the only one of the larger Cleveland banks to show a drop in its total deposits during 1945.

• **Earnings Rise**—With relatively few exceptions, 1945 bank earnings throughout the nation ran well ahead of 1944, despite increased operating costs and higher tax payments. Dividend distributions in many cases were up fairly substantially, and the book value of the bank shares generally disclosed comfortable increases. This was not only to actual earnings retained by the business but also to further increases of previously considered "doubtful" assets.

Bank earnings in 1945 were more dependent than ever on interest rates on holdings of government issues. Some of the profit rise can be attributed to the trend toward lengthening the maturities of such holdings and acquiring higher yielding issues. Even the



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The information is basic**

Designed to place in the hands of the new investor a concise explanation of the nature of securities and the mechanics of the financial business, "A Primer For Investors" discusses in an easy-to-read and informal manner such subjects as the various kinds of stocks and bonds, how to calculate yields, the significance of price-earnings ratios, etc. Here, too, will be found a discussion of the advisability of diversification of portfolios; also a typical example of daily quotations on the New York Stock Exchange with a brief explanation of symbols and prices. In addition, it contains a study of estates and trusts, including vital information on the making of a will, choosing a beneficiary and the naming of an executor.

Readers who are investing for the first time, as well as those who already own securities, will find "A Primer For Investors"** of not only current interest but also a source book filled with information of lasting value.

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Nation's 15 Largest Commercial Banks

Publication of the 1945 year-end banking statements, according to figures released by the American Banker, requires few changes in the list of the nation's 15 top-ranking banks compiled at the close of 1944 (BW-Jan.20'45,p70), and among the top five, no changes at all. Among the other ten, however, there has been much shifting around.

- Particularly noticeable is the growth of New York's fast-moving

Manufacturers Trust Co. and the equally speedy Security-First National Bank of Los Angeles. With a 1945 gain of 30% in deposits, the former is now in sixth place, compared with its seventh spot last year and ninth position in 1942. The West Coast bank, sixteenth in size in 1942 and twelfth a year ago, is now up in tenth place because of a 23% jump in the amount of its deposits last year.

Rank Dec. 31, 1945	Bank	Deposits		Rank Dec. 31, 1944
		Dec. 31, 1945	Dec. 31, 1944	
1	Chase National (N. Y.)	\$5,742,179,805	\$4,835,219,258	1
2	Bank of America (San Francisco)	5,339,307,098	4,340,539,688	2
3	National City (N. Y.)	5,143,422,244	4,205,072,012	3
4	Guaranty Trust (N. Y.)	3,309,452,507	3,441,036,641	4
5	Continental Illinois (Chicago)	2,646,721,523	2,447,740,086	5
6	Manufacturers Trust (N. Y.)	2,555,885,573	1,991,382,142	7
7	First National (Chicago)	2,347,702,840	2,102,621,634	6
8	Central Hanover (N. Y.)	1,842,737,477	1,800,909,711	8
9	Bankers Trust (N. Y.)	1,749,590,468	1,726,073,557	9
10	Security-First (Los Angeles)	1,654,455,926	1,340,701,440	12
11	First National (Boston)	1,578,278,115	1,394,132,248	11
12	Chemical (N. Y.)	1,524,160,575	1,398,753,587	10
13	Irving Trust (N. Y.)	1,303,269,219	1,141,041,213	14
14	Bank of Manhattan (N. Y.)	1,290,314,214	1,104,705,889	15
15	National Bank of Detroit	1,258,522,558	1,246,007,534	13

the Chase reported that its \$3 billion of government bond holdings at the year-end had an average maturity of only two years to the earliest call date, much shorter than in the case of banks in general, it is noticeable that its 1945 interest return from such investments, the bank's major source of gross income, averaged 1.09% compared with 1.06% in 1944 and 0.86% in 1943.

• **Uptrend in Loans**—In the final weeks of 1945, as the reconversion program really started to gain momentum, many banks experienced a definite increase in business loans. Much potential business of the same sort is also reported under discussion currently. As far as the larger city institutions and big borrowers are concerned, this appears to be taking the form of term loans, which cover a period of years and are repayable on a serial instalment basis.

Loans of this type represent a major change in commercial banking practice and, even though most of the large Wall Street banks have been actively participating in the trend since its original inception about a decade ago, some Manhattan banking authorities aren't so certain that such loans should really be encouraged.

Percy Johnston, retiring chairman of the powerful Chemical Bank & Trust Co., for one, has gone so far as to term

this type loan as "unsound." He can even visualize its bringing about a nonliquid, frozen position" since "bank liabilities are quick" and therefore require short maturity assets that are readily liquefiable."

• **Others Not Perturbed**—Most Manhattan bankers, however, aren't worried. They think that many such loans can be made, in view of the present liquid bank positions, before institutions give too much of their funds invested in advances of that type.

Winthrop W. Aldrich, Chase chairman, for instance, thinks well of them currently. So does the New York Trust Co. president, John E. Bierwirth. Pointing out that such loans are made only after careful credit consideration and are on an amortized basis, Bierwirth considers them a better risk than the industrial bonds that the banks used to buy and he thinks that term loans "are going to be among the best assets we have ever had."

Placing of a substantial part of the investable money in something other than governments whenever possible appears to be the accepted course for most bankers to follow these days. Recently it was estimated that over 70% of bank assets were represented by holdings of government securities. This factor, coupled with increasing bank earnings,



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mond harbor—largest tonnage port on San Francisco Bay—are available to export minded manufacturers.

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has led to political pressure in quarters for a possible reduction rates on government bonds held by commercial banks.

- Political Dynamite—Many banks recently have huge proportions of the resources represented by either governments or unemployed cash and the managements, unlike the bankers the nation once knew, for some time have been conducting more and more of a riskless business. A number of 1945 year-end statements actually show 85% to over 100% of war-swollen deposits represented by federal debt obligations and cash on hand. And it has been unprofitable to maintain a "no less" position of this sort, either.

Nevertheless, such bank statements enough of them hit the right eye the right moment, are political dynamite. And that is why many have made a 1946 New Year resolution to miss any chance to invest more taking "normal" risks, in something besides government issues. More than few, anyway, are tired of merely running a "safe deposit" business. That's why more and more institutions are going after consumer credit business these days (BW-Oct. 6 '45, p. 66) and why they are also welcoming term loans.

Toledo Wage Tax

City couples 1% levy on payrolls with 1% income tax on corporate net profits in effort to regain financial equilibrium.

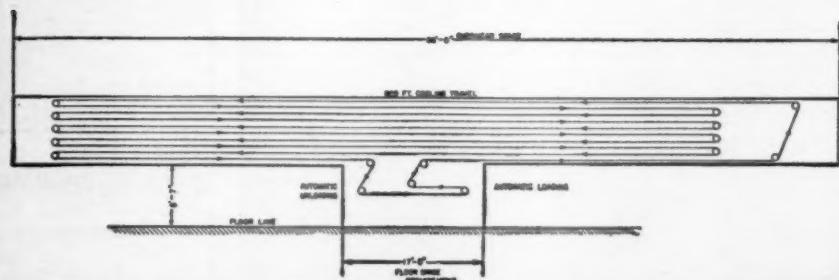
While state governments still are holding in war-inflated incomes, municipalities are starting out on postwar period strapped—or at least testing loudly that they are strapped.

City incomes have risen, but expenses have shot up even faster. Everything from the cop on the beat to the lion in the zoo—now costs more to maintain, and, in general, the arithmetic of rising price level has proved more than the city hall assessors could cope with.

- Case in Point—This week's case point is Toledo, Ohio, where a determined city council steeled itself to the task of advancing to final reading a 1% payroll tax coupled with a 1% income tax on corporate net profits.

Incidentally, the payroll levy—garded by irritable taxpayers as ethic on the same level with cracking baby's pig bank—is a fairly new word in municipal finance but one that more and more cities are eying hungrily.

- Typical Problem—The reasons Toledo's plight are more or less typical. The city's tax system always has been



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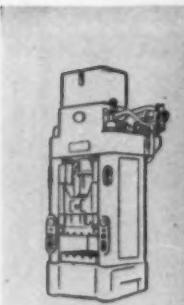
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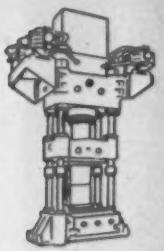
If you are short on floor space or are laying out a new plant, write at once for free Booklet W-1 giving full details of the Greer Multi-Tier Conveyor.—J. W. GREER Co., 119 Windsor Street, Cambridge 39, Mass.

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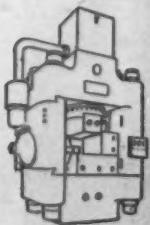
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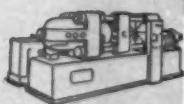
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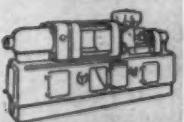
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geared to a property tax. Unlike income and sales taxes, which have counted for most of the boom in revenues, the property tax responded slowly to prosperity. The war brought some improvement in delinquencies, a moderate increase in assessed value, but nothing like enough to offset the rise in expenses.

In addition to meeting regular expenses, Toledo now has to figure out a way to replace wornout equipment, police cars, for instance—and to make the various civic improvements that stalled off during the war years.

- **An Inheritance of Debt**—To complicate matters, the city has a top-heavy debt structure, inherited from the twenties. Since 1927, voters have refused stubbornly to authorize any new issue levied against real estate.

Toledo's city fathers came up in 1946 with the financial picture looking something like this:

Estimated revenues.....	\$3,386,600
Estimated expenditures.....	4,249,000
Operating deficit.....	862,400

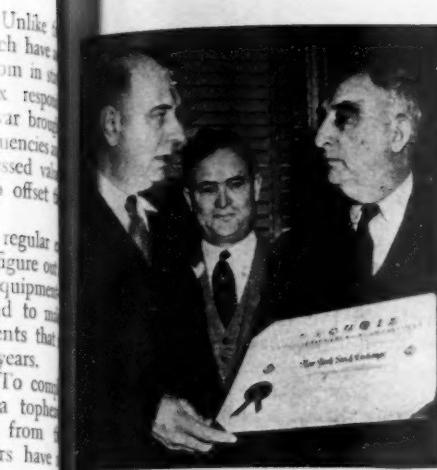
- **Up Against It**—Aside from this, the city faces bonded debt maturities of \$890,110, of which only \$572,166 can be refunded under Ohio law. It is figures that it has to have a minimum of \$911,000 extra to adapt to post-war conditions—\$400,000 to increase wages in all departments, \$200,000 to expand the fire, police, and health departments and \$311,000 for deferred maintenance and purchase of new equipment.

The city council had hoped to get voters to approve six new bond issues for a total of \$2,150,000—just about enough to make ends meet—but one of the issues failed to get the necessary 65% majority in last November's balloting.

- **Howl From Labor**—As soon as the bond issues were stymied, civic leaders headed by City Manager George Schoonmaker, started plugging the gap with a roll tax. The first proposal was for a flat 1% levy on wages. That brought such a howl of protest from the labor groups that backers of the plan broadened it to include a 1% tax on the profits of corporations.

Toledo's A.F.L. locals finally got lukewarm approval to the revised proposal, largely because city employees are members of the Municipal Employees Union (A.F.L.). The C.I.O. locals, quartered by Richard T. Gosser, regional director of the U.A.W.C.I.O., are fighting the whole thing tooth and nail.

- **Square Trash Cans**—The opposition probably would have won if it had been able to offer any other solution, but it wasn't. The best that Gosser could propose was to replace the city's 100



FOR SERVICES RENDERED

Washington, Emil Schram, president of the New York Stock Exchange (left), receives its reward from Secretary of the Treasury Fred M. Vinson, while Treasury Dept. consultant Morris Townsend looks on. The citation is for patriotic services rendered by the exchange during the Seven War Loan drives and the 1945 Victory Drive. Exchange members tallied up a total of more than \$7 billion in bond sales in the campaigns.

ish cans with square ones and sell advertising on the four sides. By his estimate, this would bring in \$300,000 a year, but even on that basis, the city still would have been badly in the hole. Prophecies of the local United States Employment Service offices added a grim note to the business. USES predicts that by July the city will have 20,000 unemployed, and by that time the 18,800 idle who now are drawing employment compensation will have exhausted their rights to this fund. If USES is right, at least half this number then will seek relief from the city.

Plan Jammed Through—The nineteen-city council, unhappy but desperate, finally jammed through a first reading of the tax plan—a flat 1% on payrolls and on corporate profits, exemptions, no deductions, no expenses. The showdown vote will come on Jan. 28, but since the earlier vote was ten to two, passage is expected. On a rough, and perhaps optimistic, guess, the new tax will yield about \$3 million a year. That should be enough to keep the civic body and soul together for the immediate future at least.

The city income tax still is something of a novelty (and will be the more so to Toledo because Ohio has no state

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Give your product a startlingly beautiful finish with hammered metallic or diffused multi-color effects...in one spray operation! A finish of highest quality in hundreds of color combinations to make your product stand out and **SELL**.

New in effect, DIMENSO is practical in use...can be applied with standard spray equipment *and the patented DIMENSO gun*. Background color and dimensional color are sprayed simultaneously through one nozzle producing a smooth, uniform finish, unsurpassed in beauty.

DIMENSO is a synthetic finish of highest quality—fits every baking schedule—bakes to a crack-free finish that resists wear,



cleans easily. It's economical...two colors applied in one operation, only one baking.

Exclusive Registered Dimenso Finishes

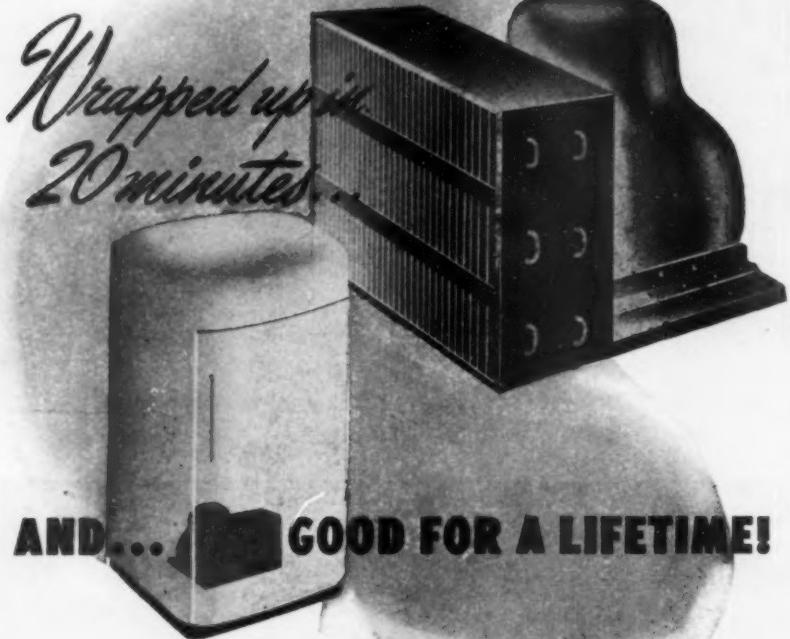
Sherwin-Williams will work with you to develop your DIMENSO combination. That combination will be registered and *be yours alone*. Call for a DIMENSO demonstration today.

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A request on your business letterhead will bring you this interesting booklet describing DIMENSO and containing actual finish samples.



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If you hear of refrigerator compressors being dip-finished with a durable, corrosion resistant coating that air-dries to permit assembly in 20 minutes it's a safe bet that ROXAPRENE is on the job.

This Roxalin-engineered enamel, based on chlorinated rubber, even permits freezing-defrosting test cycling within an hour of the time it was applied without injury from the attendant moisture.

Back up this drying speed with ROXAPRENE'S unique working properties: ...Excellent dip-tank stability. ...Smooth flow and clean drain. ...Adhesion to unprimed castings and steel—and you have the reasons why ROXAPRENE is breaking paint room bottlenecks.

What's equally important is ROXAPRENE'S protection of mechanical parts against failure due to corrosion through its resistance to moisture, lubricants and such common refrigerants as Freon, methyl chloride and sulphur dioxide.

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BREAKS
BOTTLENECKS**



ROXALIN *Flexible* FINISHES
INCORPORATED
ELIZABETH, N.J. NEW JERSEY

income tax), but it already has had a stormy, but on the whole successful career in Philadelphia. Adopted at the end of 1939, Philadelphia's tax had yielded better than \$100,000,000 by the beginning of 1945.

• Philadelphia's Victories—Labor unions, federal government workers, and suburban residents, all contested the levy, but Philadelphia won every legal battle. Its final victory came last September, when it forced seven companies with offices inside the city to withhold the tax from wages paid to residents who worked in plants outside the city (BW-Sep. 15 '45, p21).

Toledo, profiting by Philadelphia example, may be able to take some of the kinks out of administration of the wage tax, but it probably never will be able to make wage earners like it.

BANKS IN HOUSING

Nine large New York City savings banks, under the sponsorship of the Savings Banks Trust Co. (the central bank organized in 1933 by New York State savings banks), are expanding their already heavy investment in local real estate. Last week they signed an agreement to erect soon a four-building, 2,500-room, 700-family housing project to cost \$4,750,000.

This is the fourth such undertaking by savings banks since they were authorized by law some time ago to pool their funds for investment in large-scale housing projects.

So far as the city is concerned, the deal is even more advantageous than it appears. Not only does it get housing facilities it sorely needs, but 319,000 sq. ft. of land long enjoying tax-exempt status will also be returned to the tax rolls.

Under the law rents in the new project may not exceed \$25 a room month. It is believed, however, that initial actual rentals will run well under that level. It is similarly estimated the rents over the life of the project would be stabilized at an \$18-figure.

OFFICE LAYOUT AIDS

A new and comprehensive report on "Office Planning and Layout" has just been issued by the Policyholders Service Bureau of the Metropolitan Life Insurance Co. for distribution primarily to the company's group insurance customers. The study is a sample of the noninsurance services which many insurance companies perform for their customers today.

Copies may be obtained by executives (not necessarily Metropolitan policyholders) who address the company their business letterhead.

MARKETING

Retailers Ponder 5-Day Week

National convention is electrified by decision of five big Hartford stores to close on Mondays. Main objectives: to hold employees, solve administration problems of shorter work-week.

One of the hottest topics of discussion at the National Retail Dry Goods Assn. annual convention in New York City last week did not appear on R.D.G.A.'s carefully planned agenda. The news that five big department stores in Hartford, Conn., have jointly agreed to remain closed on Mondays—a year-round policy made a spectacular splash in the placid waters of the convention.

Object: To Hold Employees—The five-day operating week is something that retailers have talked about (with apprehension or approbation, depending on individual views which vary widely) for five years now, more or less. But Hartford is the first major city where an important group of stores has taken the plunge. If the plan works here—and the consensus seems to be that, given time, it probably will—the idea is almost certain to spread gradually to other communities.

Primary objective of the Hartford stores in slashing a day off their selling week is to attract—and hold—a better type of employee. In the heart of the Connecticut Valley where manufacturing jobs have been both plentiful and relatively high paid in recent years, Hartford retailers have had trouble getting and keeping help. Outsiders believe that the desire to forestall possible unionization of retail clerks also influenced the stores' decision. Store executives deny this.

Operating Problems—In general, the Hartford retailers' problems are those faced by retailers everywhere, in greater or less degree.

The problems multiply in cities and states where the 40-hour, five-day work-week has been voluntarily adopted or written into union contracts.

Six-day operation, with a 40-hour work-week for employees, brings a flock of administrative problems, many of them peculiar to retail trade. Hours must be staggered to give all employees an equal break on time off. Specialized employees—hairdressers in department stores, beauty salons, for example—may welcome the shorter work-week, but they are reluctant to relinquish their carefully cultivated clientele to swing-shift

workers during their off hours. Employees who are paid wholly, or largely, on a commission basis aren't overly enthusiastic about the shorter hours.

Slashing the store selling week from six to five days would eliminate many of these headaches.

• **To Accelerate Trend**—Up to now the 40-hour work-week has made only limited headway in the department store field. New York, which adopted it in 1941 and '42, is the only major city where it is now general. Washington and Baltimore are in process of swinging over to it. As the 40-hour work-week comes, along with its attendant problems and higher costs, it can be expected to accelerate the trend toward five-day operation of department stores.

While Hartford is the first city to go all-out for the five-day plan, other communities have been nibbling at the

idea for years. Five-day operation during the summer months is now common. In some cities—Hartford and Providence, for example—Monday has been the day for closing. In others, particularly where, as in New York City, there is a big weekend exodus, it is Saturday. Throughout the Midwest a common practice (year-round) is for stores to remain closed until the afternoon on Monday—giving employees a one-and-a-half day break—then stay open Monday nights.

• **Disagreement on Costs**—A point worth noting in the general trend toward a shorter operating week for department stores is that most stores which adopted the practice of staying open one night a week, largely as a convenience to war workers during the war, have now abandoned it.

There is little agreement among retailers on one of the most important points—the effect of a shorter selling week on overhead and operating costs. To the extent that a store's weekly sales volume is spread over a shorter period of time, there is probably some reduction in overhead (though even this proposition reaches the point of diminishing returns, particularly at peak sales seasons).

Retail executives who regard the Hartford plan with skepticism—and there are many of them—agree on the primary argument against it. This, of course, is the potential loss of volume



STAVING OFF WOULD-BE BUYERS

Caught short by the shortage in men's clothing, a Kansas City haberdasher actually rolls out the barrels to explain his plight to suit-seeking veterans—and to reap a publicity harvest at the same time. The window signs explain that the proprietor isn't really suggesting his "barrel drapes" (\$4.20, f.o.b. the factory) for clothing—but is "giving it serious consideration."



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555 Roosevelt Building, Los Angeles 14

CONTAINERS FOR GASES, LIQUIDS AND SOLIDS

to specialty shops, chain store outlets and other small stores which do not go along with the five-day sales week. Department stores in downtown metropolitan locations, which already are bearing the pinch of competition from small neighborhood stores in the suburbs, particularly wary of any moves which might tend to cut volume still further. • Some Fall in Line—Small stores located near the big department stores, of course, are in somewhat the position of dependent satellites, living off the traffic created by the big fellows. In Hartford some specialty shops already have decided to go along with the five-day week. Others are on the fence holding out. Branches of chain stores are still consulting their home offices. In general, however, chain store policy is not to make a shift like this until the new practice has become accepted community policy.

Retailers are watching to see how many smaller fry go along when Hartford's big five (Brown-Thompson, Inc., G. Fox & Co.; Albert Steiger, Inc., Sage-Allen & Co.; Wise, Smith & Co.) actually take the plunge early next month.

Skeptics also cite the retailers' "duty to the public to remain open a maximum number of hours as an argument against the Hartford plan. There has been no chance as yet to gage public reaction in Hartford; though the news is well known to the retail trade, there has been no general announcement in the local press.

• Doubtful Blessing—Newspapers are watching warily for any effect on advertising volume in Sunday papers—particularly if this is not made up later in the week.

Organized labor, in the person of Samuel Wolchok, president of the United Wholesale & Retail Employes (C.I.O.), has given its public blessing to the Hartford plan. Retailers think that union leaders can't, with good grace, appear other than enthusiasts but that they may have private reservations. General adoption of a five-day selling week, in lieu of a six-day selling week coupled with a 40-hour work-week means fewer jobs in retail trade.

ANDERSON IN SPOKANE

C. C. Anderson Stores Co., Bon (Idaho) subsidiary of Allied Stores Corp., New York, will open a new department store in Spokane, Wash., early fall. Its initial three floors will be extended to nine by 1952, when leases held by federal offices expire.

The new store will carry merchandise similar in price range and quality to that of the Bon Marche department store in Seattle, which is one of the

stores that Allied owns and operates (most of its other 70 affiliated department stores are operated by subsidiary companies).

The Anderson stores are the outgrowth of a small store opened by C. C. Anderson in Boise years ago, and were acquired by Allied in 1936. Reported sales volume of the 29 units in Idaho and neighboring states was \$1 million.

Selling by Color

Manufacturers of carpets
note merchandising plan to
use harmonious decorative
tones in home furnishings.

Users of home furnishings will find help in assembling harmonious color combinations for their decorating needs simplified through the basic coordination program unveiled at last week's Chicago furniture show by the Institute of Carpet Manufacturers. Associated in the program to promote merchandising of nine basic colors are nearly 200 manufacturers of related home furnishings as drapery, upholstery fabrics, paint, wallpaper, accessories.

Regional Names—Carpet manufacturers in the plan a means of extending the reach of their volume lines the use of color coordination service hitherto offered by store decorators to buy high style merchandise.

giving the nine color groups such American names as the "Alamo" for tan, or the "Adirondack" for burgundy, and tagging all merchandise keyed to each color group with the name, they hope to make it for retail salesmen without decorative training to sell customers harmonious and satisfactory color combinations in home furnishings.

Quota Selling—With retail inquiries of rugs at the lowest point in years, and demand heavy, rug manufacturers exhibiting at Chicago little hope for an early end of quota, although current production has reached half the 1941 rate. Expectation in the trade is that 1946 output will come to perhaps 75% of record 70 million square yards, supplies of carpet wool are as at any time in history, jute to obtain, and coarse cotton yarn

converted 80% to war production, makers turned out over 200 million yards of heavy duck for tarpaulins, million blankets, and parachutes and tenting during the war.



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IN your laboratory, in your product-development division, are men who really know your product—"the slide-rule boys." How to put their intimate knowledge to work? Use sound motion pictures!



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"Movies Go to Work"

Send for This New Booklet Today

Send today for this new Bell & Howell booklet . . . how you can use sound films . . . how Bell & Howell can help you. Send the coupon today.

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BW1-19-46

PX Sales Sagging

Market reflects progress of demobilization, but it remains attractive as peacetime outlet to many manufacturers.

Demobilization is catching up with that wartime retailing phenomenon, the sale, during the war years, of well over a billion dollars worth of goods annually by the Army post exchanges and Navy ship's service stores.

• **Twelvefold Gain**—The progress of demobilization can be read in the slump in post exchange sales. How much the PX market will shrink depends, of course, on the size of the peacetime armed forces, the length of compulsory military training, if any, and future pay scales for members of the armed forces. Sales by the few hundred post exchanges operating in 1941 totaled only \$75,000,000—compared with \$1,038,000,000 through 11,000 domestic and overseas units in the fiscal year ending May 31, 1945.

Post exchange sales volume reflected reductions in the size of the armed forces as far back as October. Sales of domestic outlets in that month were \$57,000,000—down 9% from September's all-time high of \$63,000,000. October sales of overseas post exchanges, not yet available, can be

expected to show a similar decline from September's high of \$44,000,000.

• **Per Capita Sales Gain**—Nevertheless, sales in the next few months may not reflect exactly the demobilization curve, because per capita expenditure is now higher than during the war. Men pouring through discharge centers have more money to spend, more time to spend it.

This trend is documented by the round-figure October sales volume of leading PX's—all located at separation centers:

Fort Dix, N. J.	\$1,000,000
Camp Kilmer, N. J.	800,000
Ft. Lewis, Wash.	700,000
Camp Miles Standish, Mass.	650,000
Ft. Knox, Ky.	600,000
Ft. Ord, Calif.	600,000
Ft. Meade, Md.	600,000
Camp Patrick Henry, Va.	600,000
Ft. Sam Houston, Tex.	550,000

Most of the normal PX and ship's service store business is in low-unit-price items. The Army Exchange Service, central supervisory agency created by the War Dept. in 1941 (BW—Jul. 5 '41, p26), makes this breakdown: tobacco and tobacco products, 25%; soft drinks and 3.2 beer, 14%; clothing, 9%; candy, 8%; and jewelry, 6%.

• **Mass Buying**—Trade magazines catering to PX managers give a fair idea of the variety of products seeking—not always successfully—this market. A recent issue of "Post Exchange" carried ads for books, perfumes, women's jewelry,

Equipment Ceilings

OPA announced this week that price ceilings will apply on 10 items of equipment, previously exempt, sold in the liquidation of Army post exchanges and Navy ship's service stores. But retailers shouldn't count very heavily on getting much of this scarce merchandise—which ranges from nice boxes to used commercial vehicles—because there's likely to be very little of it.

• This is clear from the most recent count (Nov. 25, 1945) which put the number of domestic post exchanges (not including branches) at less than 500. Others are being closed every day. The sale of this limited amount of equipment, incidentally, should not be confused with the liquidation program devised by the Army Exchange Service to prevent dumping merchandise from abandoned PX's on the civilian market.

comic books, women's fur coats, models of Army vehicles, and automatic doughnut making machines, as well as items like military clothing and cameras. One advertiser—Continental Can Co.—evidently came along for the international ride.

Constituting the backbone of the market are 951 price agreements contracted by AES with suppliers who agree to sell PX's and ship's service store units at prices as low as those offered by any retailer. This gives a military unit the mass buying power of a mail-order outlet or a chain store.

While this is the basis for low prices, there are other factors: (1) PX's are expected to make only a 5% profit (although they have a 2½% leeway in either direction), (2) the salary of managing officer is Army-paid, (3) the unit pays no rent, or heat or light bills out of its sales, although it does employ civilian employees, (4) stock turnover is speedy—normally one and a half times a month, and (5) sales are not subject to state fair trade laws, state or local sales taxes, or federal excise taxes because PX is a government instrumentality.

• **AES Remains**—Suppliers who deserted this market during the war should note that AES has no intention of getting out of business. Furthermore, the Veterans Administration plans to establish exchanges of the PX type in veterans' hospitals, replacing the present concessionaire system. Even in its inevitably reduced size, the post exchange and ship's service stores market is



IT KEEPS CUSTOMERS ROLLING IN

Atlanta, like other cities, is harried with traffic and parking problems; one of its main department stores, Rich's, Inc., has done something about it. Faced with a potential dip in sales because of customers' parking woes, the store instituted a time-tried idea—free bus service (above) from out-of-the-way parking lots. Rich's acquired two lots a mile away, rented three buses from Georgia Power Co., shuttles them at five-minute intervals. The parking charge is 25¢.

to many manufacturers. It is unemployment-proof, for one thing. For another, it is a sampling medium distributing full-size, full-profit packages to an age group which is still forming its preferences that could lead to increasing buying several years hence. Not a few wholesalers have shown their faith in the market's future by specializing in this trade, while two other Post Exchange officers have gone so far as to incorporate Terrie, Inc., a New York firm representing manufacturers in this market. Early next year they expect to augment their forces by a fleet of trailers, each with a 40-ft. show-room stocked with sam-

Co-op Under Fire

Grain Terminal Assn. status as a farm marketing agency is attacked because it collects fees on all grain it handles.

If opponents of the Farmers Union Grain Terminal Assn., Paul Bunyan among co-ops and the biggest factor in the northwest spring wheat business, can't lick the organization one way, they will try another.

With the reopening last week of hearings on G.T.A. before the Minnesota Railroad & Warehouse Commission, the testimony took a new tack. Last summer the commission ordered the co-op to show cause why its license as grain commission merchant should be revoked (BW-Jul. 7 '45, p85).

G.T.A. Claims Exemption—The state agency has based its case against G.T.A. on two points: (1) Under a Minnesota law analogous to the federal Robinson-Patman law, a private firm cannot act as an agent for the seller and buyer or buyer's agent; G.T.A. collects a commission on all grain it handles, even when it buys from a co-op member for its own account, and the commission charged that this was illegal; (2) G.T.A. was also accused of falsifying reports as to the amount of business it transacted in order to obtain the smallest possible bond covering its operations.

On Point No. 1 the commission has been making slow headway. Under the Minnesota co-op law, G.T.A. claims exemption from the ban on joint seller-member operations and this stand has been upheld by various Minnesota attorneys general. Unable to shake this defense, independent grain companies, intervening in the case in an effort to keep G.T.A. a cropper, now have come with the argument that G.T.A. is



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not a true cooperative, hence presumably it is not entitled to any immunities co-ops may enjoy under the state laws.

- **Is G.T.A. a Co-op?**—In currently buying over 75% of the grain consigned to it, say the independents, G.T.A. is not functioning as a true cooperative. As a farm marketing co-op, G.T.A.'s primary function presumably would be to act as sales agent for its members. In answer to this G.T.A. could attribute its heavy buying to the large crop and to ceiling prices, which level out prices to all classes of buyers. With its "profits" (a word usually not acceptable to co-ops) limited by ceilings, G.T.A. implied that it had to make money for members when and where it could—even if this involved dealing on the open market.

To charge No. 2—that of obtaining a smaller bond than its operations warranted—G.T.A. replied that in applying for bond it had merely followed practices common to all grain commission merchants. In this connection, G.T.A. made one telling point—the co-op was the only commission merchant whose books had been checked.

- **Hearing Reset**—G.T.A. will now have a respite in which to prepare briefs before the hearings open again in March.

TRIAL BY ESSAY

Last month the National Tax Equality Assn., challenger of the tax-exempt status of cooperatives, announced an essay contest with prizes totaling about \$1,375 on the subject, "The Tax Privilege of Public Corporations and Cooperatives and Its Impact on Private Enterprise" (BW-Dec. 28 '45, p84).

This week brought a countermove: Consumers Cooperative Assn. of Kansas City—co-op giant and hence a specific target of N.T.E.A. (BW-Dec. 30 '44, p17)—announced an essay-speech contest with prizes totaling \$5,500 on, "The Importance of Cooperatives to My Community."

P.S.

With the Census Bureau's program for gathering up-to-date business statistics still stalled on Capitol Hill, marketing men are welcoming nongovernmental efforts to bring out current marketing data. The New York Times has just completed its 1945 "census" of New York City, an analysis of retail distribution outlets and family buying units. The Philadelphia Bulletin will shortly offer a consumer analysis of the Philadelphia market. The Bulletin hopes that its survey will serve as a model for similar studies in other markets (BW-Jan. 5 '46, p89). . . . Retailers didn't wait for the Civilian Production



FLYING CLOTHES CLOSET

Spruce and trim in glassine bags, shipment of garments is loaded aboard a United Air Lines Cargo liner at Los Angeles under the eye of buyer Jane Taylor and her husband Sam. Los Angeles garment makers who with United traffic experts developed the method, say that it reduces express charges, that the clothes, hung on racks, arrive fresh and unwrinkled.

Administration to issue its suggested plan for giving veterans first crack at scarce supplies of men's clothing before hatching their own schemes for easing the shortage in civvies. One idea, no cropping up all over the country, is the alteration of veterans' prewar clothing with, of course, the hopeful expectation that when new garments are available in the store that did the altering will be kindly remembered. . . . The Reader Digest now has a sixth foreign-language edition, in Danish, to be printed in Copenhagen. Like the magazine's other overseas editions, and unlike the celebrated domestic version, the Danish Digest will accept advertising. . . . Shortages of goods for the Christmas trade inspired many merchants to ingenious adaptations of government surplus goods. One Los Angeles department store sold countless rolls of aluminum foil tape, designed as antiradar protection for fighters and bombers, for Christmas decorations. In Riverside, Calif., Massey Radio Supply knocked down "walkie-talkies," got enough spare parts to assemble record players in time for the holiday trade.

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CHICAGO

LABOR

Productivity: The Basic Issue

Convinced that "lump of labor" theory, with resultant curbs on output, does much to inhibit employment and higher pay, some unionists (notably electricians in New York) break with past.

The first postwar cycle of labor trouble struck industry with such speed and force and developed so quickly into a desperate crisis that management was only able, in the most preliminary way, to get onto the bargaining table the issue which most management men will call their Number One labor problem.

That problem is, of course, productivity. To management's mind, and to that of most economic analysts, issues of wages, hours, conditions of employment, and union security pale into insignificance beside it.

• **Quid Pro Quo?**—Few managements will find anything controversial in a 30% wage boost if it is accompanied by a 30% increase in productivity.

Nor, in the opinion of most employers, would a 30% increase in productivity be hard to get. "Let unions remove their output limitations and the limits will come off of wages," is a common prescription. And such a solution is offered—despite the widespread knowledge that restriction of output is not

confined entirely to unionized workers.

• **Featherbedding**—Employers think there is enough cushion in those restrictive practices enforced, formally or informally, by unions alone to yield tremendous gains in productivity. The cushion is featherbedding—which provides for "made work" through the creation of output quotas, artificially high quality standards, the use of extra, unnecessary labor, and other devices designed to spread the job and make it last.

Featherbed rules have been the subject of wrangling—but not of bargaining—almost since their inception. Unions, operating on what is called the "lump of labor" theory, have held them to be nearly sacred institutions.

• **Dilution of Output**—This theory assumes that doing any given job, from painting a sign to building a city, requires a given amount or "lump" of labor. This lump of labor will provide employment of variable duration for a variable number of men. The harder

and more productively the men work, the fewer man-hours will have to be expended to get the job done. The more loafing or unproductive activity which can be used to dilute productive output, the longer the job will last or the more labor will be needed to complete it.

Efforts to explain that this theory has shortcomings, that adherence to it might mean fewer, instead of more, jobs, have met with little success. Organized labor will not acknowledge, on the practical level, the elasticity of demand.

• **A Case in Point**—Jobs are created, the first instance, by a demand for products of jobs, and this demand is often highly elastic. A family may buy a home of its own, for example, if it can build one which will satisfy its needs and tastes for, say, \$10,000, the workmen who do the building selling their labor to the contractor for a good high price, but do not restrict the output, that family may get just about what it wants well within the limit of what it can afford.

But, if there is a restriction on the output of construction labor, the value of the house is likely to be so high that instead of building, the family will renew its lease on the old place, thus deciding, in effect, against creating some new jobs for bricklayers, plumbers, lathers, carpenters, and others.

• **In Cleveland**—In a highly unionized city like Cleveland, where labor can tend the effect of work rules by means of political power to write some of the



UNUSUAL POINTS OF VIEW

When the telephone workers' federation this week postponed its nationwide strike (page 16) for at least a month, none was more relieved than news cameramen whose ingenuity has been overtaxed recently by too many picket

lines to photograph. Exceptions were Cleveland lensmen. One framed his subject, a lonely picket before a Northfield power station of Ohio Bell Telephone, between tombstones of a graveyard opposite; the other emphasized the dominance of the law with a shot of a policeman on strike duty before the company's office in Cleveland.

men have to done. The active products will be needed.

the city's building code, this is a documentary picture of what the home buyer is up against:

The average two-story house has four plumbing fixtures—kitchen sink, bath toilet, and wash basin. Eight working days is the accepted time for one plumber to install these four fixtures. If a toilet and wash basin are installed on the ground floor, the plumber stretches the job out to four more days' work, while one day at the most is all that is required.

On a bungalow type house, the time is six days of labor for the same fixtures.

Can-Do vs. Will-Do—An ordinary electrician working eight hours formerly installed 25 outlets. Today a Cleveland tractor considers himself lucky if he gets 20 outlets installed a day; the average is 16.

Another make-work plan in the Cleveland area results in use of the flat-and-tube method instead of the simple method of wiring. This bans the use of tubing which already contains well-insulated wires and which requires the drilling of only one hole. Under the system required by the Cleveland building code, both wires are run separately.

Plaster and Paint—Cleveland plasterers refuse to put on drywall plaster. Metal lath must first be used, to which plaster is applied. Painters are barred from using sprayers.

The same building code provisions for extra heavy sewer tile pipe, although ordinary sewer pipe is in general throughout the country. Soil pipe may be laid only to within six feet of a house by common labor; at that point a journeyman plumber takes over. **Widespread Wastage**—The lump of labor theory is valid only if demand is constant regardless of the price of goods or services. And because this is true of very few things, the theory which goes far beyond labor's legitimate interest in protecting workers from overwork—is responsible for widespread economic wastage.

The lump of labor theory has its roots in labor's fear of unemployment. The commonest command to restrict employment is, "Hey, buddy, don't kill the job." Nothing short of guaranteed full employment will remove that fear, but some progress has been made within the framework of collective bargaining.

Touche Topic—Most employers who face the issue, however, meet such a fanzied resistance from labor that they respond in kind. The result is that the question is only rarely brought down to the subject matter of negotiation.

Those relatively few employers who have persevered in efforts to put restrictive practices on the collective bargaining



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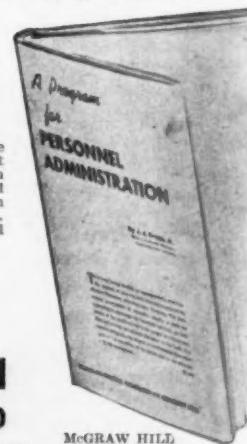
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THE LABOR ANGLE

Homecoming

The top C.I.O. command, which never really credited the now three-year-old rumors that John L. Lewis was about to announce the return of the coal miners to the A.F.L., is finally convinced that Lewis will go back into the federation at the next meeting of A.F.L.'s Executive Council, scheduled to open in Miami on the 21st of this month.

Lewis, uncommunicative on the question, is following his familiar practice of letting nothing slip which might rob the achievement of its full measure of drama. High A.F.L. officials, however, though putting nothing on the record yet, express confidence that this time the road is really cleared for Lewis' re-entry into the organization he split by launching the C.I.O. in 1936.

Royalty

The production royalty, bitterly denounced when James C. Petrillo forced it on the music record makers and widely assailed when John L. Lewis attempted to apply it on a tonnage basis to coal, has now become an idea finding favor with a widening section of management. The transformation was achieved by the Kaiser-Frazer Corp. and C.I.O.'s United Auto Workers in whose new contract (BW-Jan.12'46,p17) the most notable feature is provision for what is in effect a bonus fund for employees to be financed through a royalty paid by the employer on every unit produced.

Generally credited to the inspiration of Henry J. Kaiser, the auto royalty differs in form, but not in principle, from that which unions have recently been demanding. Labor organizations ask for an output royalty to make up a fund which the union will administer for the social welfare of its members. In a number of cases where employers object to handling the fund this way, the royalty money is disbursed directly to employees. This is exactly what happens under the Kaiser plan, with one significant modification.

In the Kaiser-Frazer plant, an employee who participates in an unauthorized work stoppage becomes ineligible for a share that year in

the royalty fund. An effort to establish a financial incentive for labor peace, the Kaiser royalty idea is going to be emulated by a lot of employers who believe that nothing is more important than dollars and cents in influencing employee relations.

Propagandizing

The C.I.O. and its political arm, the Political Action Committee, are attempting to finance some propaganda by making direct charges on the people being propagandized. This carries one long step farther the idea of collecting money from union members in the form of contributions to finance activities designed to influence the thinking of these same members.

The new plan, incorporated in a "Pamphlet-of-the-Month" and a "Poster-of-the-Month" Club, will solicit unionists and their friends for \$1-a-year subscriptions to a Pamphlet-of-the-Month series. The first publication in this series is a 23-page booklet, expertly done and illustrated in two colors, entitled "The Road to Freedom—Higher Basic Wages and Salaries." It charges industry with having gone on strike for higher rents and prices and calls upon readers to write congressmen, editors, and radio commentators to protest what it calls employers' stubborn resistance to wage increases.

For another \$1 a year, the unionist can get a monthly poster to hang in his window, lodge hall, or union office. These will treat mainly with the subject of racial and religious tolerance. However, the first in this series, which is being designed by well-known and competent artists, is one carrying a broad message. It is called, "Use Both Hands." It asks the citizen to use both his ballot and the tools of his trade to help gain labor's objectives.

Goodwill

For purposes of maintaining office morale, General Motors is continuing to pay full salaries to its white-collar staff of around 50,000 men and women, many of whom have done no work at all during the strike. The bill for this goodwill gesture runs, it is estimated, somewhere upward of \$6 million a month.

ing agenda are finding that it's now little easier to do so. The favorable economic outlook, apparent even to unbusiness agents, promises a period of close-to-full employment in many heavily embedded trades. Offered an attractive quid pro quo, some unions are now disposed to modify long-standing rules.

• **Local 3's Decision**—This is exactly what happened in New York City recently when the powerful Local 3 of the AFL's International Brotherhood of Electrical Workers, representative of 10,000 electricians, agreed, in a massive contract with 364 contractors, to sanction—and promote—use of the most modern technological methods and the unrestricted use of high-speed, labor-saving tools and devices in a joint labor-management effort to reduce the cost of low-rental housing, and to make new dwellings available as quickly as possible.

In a pact which both parties herald as "unprecedented in the construction industry," the AFL local also waived any immediate demands for an increase in its \$2-an-hour wage scale and also claimed for time-and-a-half pay for overtime hours.

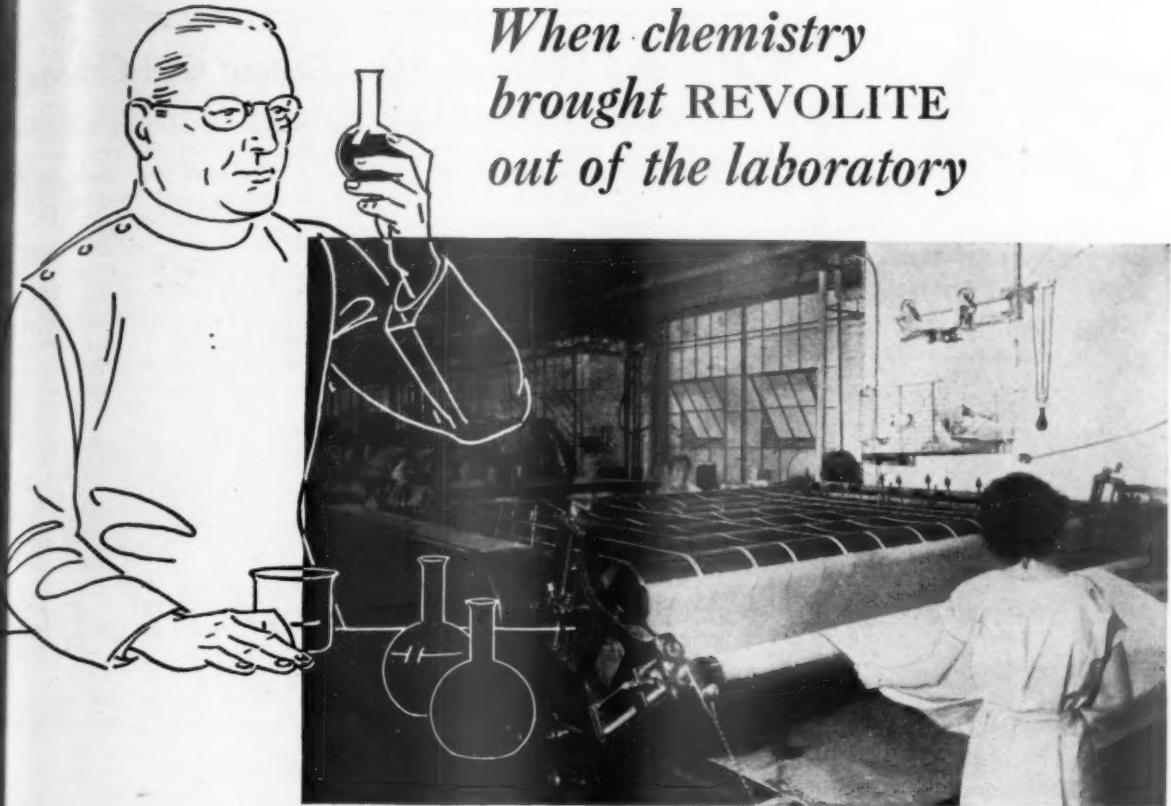
• **No Strikes, No Lockouts**—It changed a no-strike pledge for a no-lockout promise by employers, and so rendered a wartime eight-hour day, with overtime after 40 hours a week, for plain making use—when feasible—to seven-hour shifts a day. Prior to the war the union had a six-hour day and discouraged overtime work. Contractors not averse themselves to higher production costs when they work under cost-plus contracts, wanted to retain the prewar policy of not paying a premium for overtime work. They readily agreed to two-shift operation "for the duration of the housing emergency," in return for the union concession in favor of premium pay.

Actually, some earlier contracts with pipe trades and sheet metals workers in New York had clauses removing restrictions on tools and methods, but none was so extensive as the electrical workers' agreement.

• **Basic Factors**—Behind the current agreement are two important factors: (1) a sound background of contractual relations, and (2) a realization that old fears of technological unemployment may be forgotten for five to ten years at least.

Contracts between workers and their contractors' association have steadily increased workers' social benefits in recent years. Hospitalization benefits were extended this year to wives as well as workers; union disability payments to members now include a full week's pay from employers; and old-age pensions for

*When chemistry
brought REVOLITE
out of the laboratory*



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Men and Machines: How Output Can Change

Constructive effort expended by workers is not the only factor which accounts for productivity, or output per man-hour. Technology, also, can be an important determinant.

The individual worker, the individual plant, or the individual industry may be applying units of human energy at the same rate, but if tools are wearing out, productivity will decline; or if more efficient tools are installed, productivity will rise.

Moreover, the workers' construc-

tive expenditure of effort will itself be conditioned by the composition of the work force at a given time. Dilution of the work force with inferior labor, or its improvement by careful personnel selection, can change average productivity.

Such factors influence the changes in the figures for average output per man-hour compiled by the Bureau of Labor Statistics (the 1929 average for each industry is taken as 100):

Industrial classification	1919	1925	1931	1937	1938	1939	1940	1941
All manufacturing	58.0	86.0	107.3	119.6	121.8	132.4	138.8	142.7
Cement	60.2	86.0	119.4	124.5	128.7	139.4	138.0	149.5
Chemicals	41.5	71.0	112.7	126.6	124.3	138.7	133.0	*
Cotton Goods	85.0	96.3	94.0	136.6	137.0	146.1	155.6	161.6
Automobiles	42.7	74.2	94.6	119.3	118.4	118.8	120.4	*
Lumber & Timber Products...	95.8	92.8	109.9	100.0	106.2	121.3	129.0	133.3
Petroleum Refining	49.4	93.2	116.7	167.1	177.3	193.4	200.0	207.6
Tobacco Products	68.1	83.6	112.1	145.2	152.8	161.9	162.3	166.7

* Figures not available.

The general rise in productivity that the figures reflect from 1919 to the outbreak of the war is attributable, in large part, to improvements in American industry's plant and method. The failure of the automobile industry to raise productivity from 1937 on, in step with the rest of industry, is blamed by management on union-encouraged restric-

tions placed on labor's output.

The table ends with 1941 because the impact of war production makes comparisons of war and prewar years misleading. Economists assume, however, that the industries which did not convert to war work suffered declines in productivity because of having to use inferior manpower.

Local 3 electricians who retire at 65 this year were raised by contract to a guaranteed \$100 a month-\$40 from the union, an estimated \$30 from federal social security, and the remainder from the employers.

• **Plenty of Work**—Helping amicable relations is a recognition that the accumulated backlog of construction virtually assures five years of uninterrupted, full-scale production, and that—including the accruing normal year-by-year building volume—a full decade can be expected without any shortage of electrical work.

Methods by which electrical work can be speeded include the formerly tabooed use of machine threaders, which save up to 75% of the time now involved in the hand-threading of pipe for wiring; use of pneumatic drills to pierce brick, concrete, or plaster walls; use of band saws instead of hand equipment in cutting face beams; acceptance of prefabricated installations; and a search for, and extension of the use of, other types of special tools.

• **Forms of Restriction**—In raising productivity which is held down by union

rules, employers will encounter the problem in varied forms depending, for the most part, on the nature of the work performed. Almost all restrictive output practices are classifiable under five main headings. These, and some of their best known examples, are:

(1) **Exclusion** of technological improvements in processes and machines. Examples are prohibitions against the use of cement mixing trucks in Chicago, requiring cement to be mixed by hand on the job; prohibitions against the use of the paint spray gun and even of wide paint brushes in many cities; prohibition of the delivery of mortar in bulk in New York City; prohibitions, in some cases, of the use of gas instead of coal in Chicago in order to prevent trucking jobs; and opposition of the musicians union to transcribed music.

(2) **Restriction** on the use of prefabricated products. Pipe in New York, Chicago, Houston, and other cities must be cut, threaded, and measured on the job instead of in the shop; steel for concrete reinforcements must be bent on the job in New York; electrical wire must be cut on the job.

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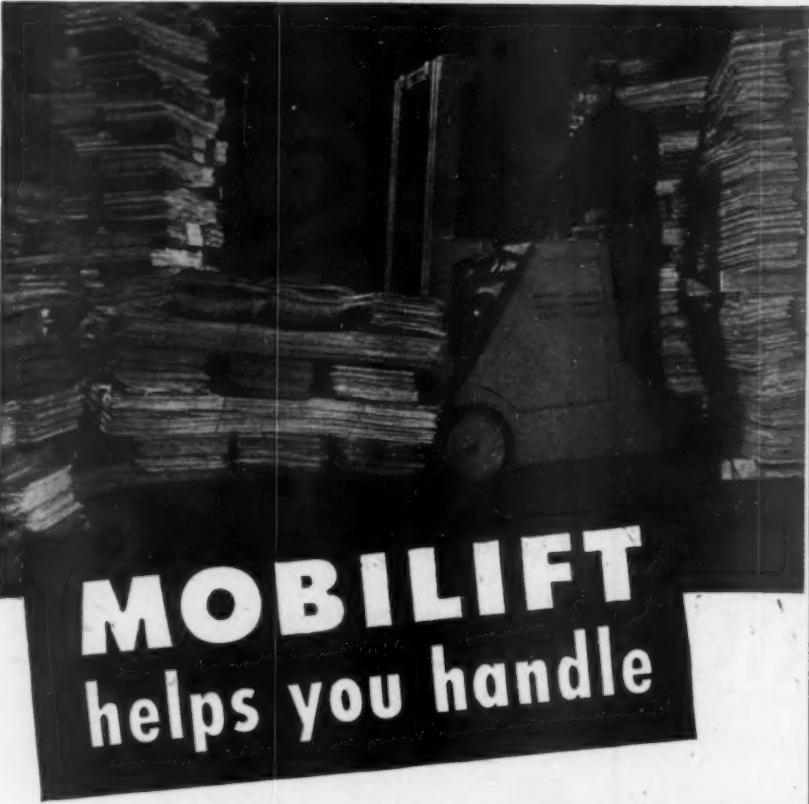
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Washington, Peoria, Racine, and other cities; the installation of preassembled bathroom fixtures has been widely prevented; the use of wallboard and hollite has been regulated in New York, Pittsburgh, and Oklahoma City. In 1941, the federal government was prevented from accepting the bid of the Currier Lumber Co. of Detroit for the erection of prefabricated housing by the threat of a Michigan-wide A.F.L. strike.

(3) Rules requiring the performance of unnecessary work. The printing trades forbid the exchange of certain typeset matter or matrices between local print shops unless the material is agreed upon, proofread, and corrected by employees in the shop receiving it.

Under this heading come union rules which establish higher work quality standards than the employer requires. Thus locals of the painters' union demand access to the specifications for the job and hold the foremen responsible for living up to them; Chicago lathe operators require that plasterboard be "nailed" to each joist, stud, or bearing, with approved large-headed nails not to exceed six inches apart.

Also under this heading are rules requiring time-consuming work methods, the plumber prohibition against preparing joints with sandpaper or emery cloth; and the wage penalty of 12½ hours charged by the Boston cement, asphalt, and terazzo finishers when they work with material containing quick-drying solutions for cement.

(4) Required hiring of unnecessary men. Rail unions put extra men in the cabs of diesel locomotives; New York teamsters require the hiring of a "pilot driver" on over-the-road trucks passing through the city; musicians must be hired to put on and take off phonograph records for radio broadcasting and public entertainments; an extra projectionist must stand by in the movie theatre.

(5) Direct limitations on employee output. Some anthracite district locals of the United Mine Workers limit the number of coal cars a miner may load to three a day when he works alone and five when he has a helper.

In the cutting rooms of the Chicago men's clothing industry, various shop groups working on piece rates limit themselves to earning not more than the middle of five rates of pay which they could achieve. And the Pacific Coast Longshoremen, according to the Waterfront Employers' Assn., have reduced tonnage handled per man-hour 33.3% in San Francisco between 1938 and 1938.

Although most forms of output restrictions are traditionally found in the craft occupations, and are consequently identified with A.F.L. unions, limitation of employee output is now widespread.

own in the mass-production (C.I.O.) industries.

Examples—The U. S. Senate's Mead Committee, investigating the problems of war industry, held hearings in Detroit last year and management representatives cited, among others, the following examples of restriction of output attributable to C.I.O.'s United Auto Workers:

The Motor Products Corp., after taking a time study of a new method on a welding job, found that an output of 21 pieces a day was possible, and that 16 pieces could be turned out with much expenditure of effort as was required under the old method to turn out the standard eleven.

Still Only 11—Setting 16 as the new standard, Motor Products continued to get only eleven pieces. An investigation revealed that workers turned out eleven, then sat around, waiting for their shift end.

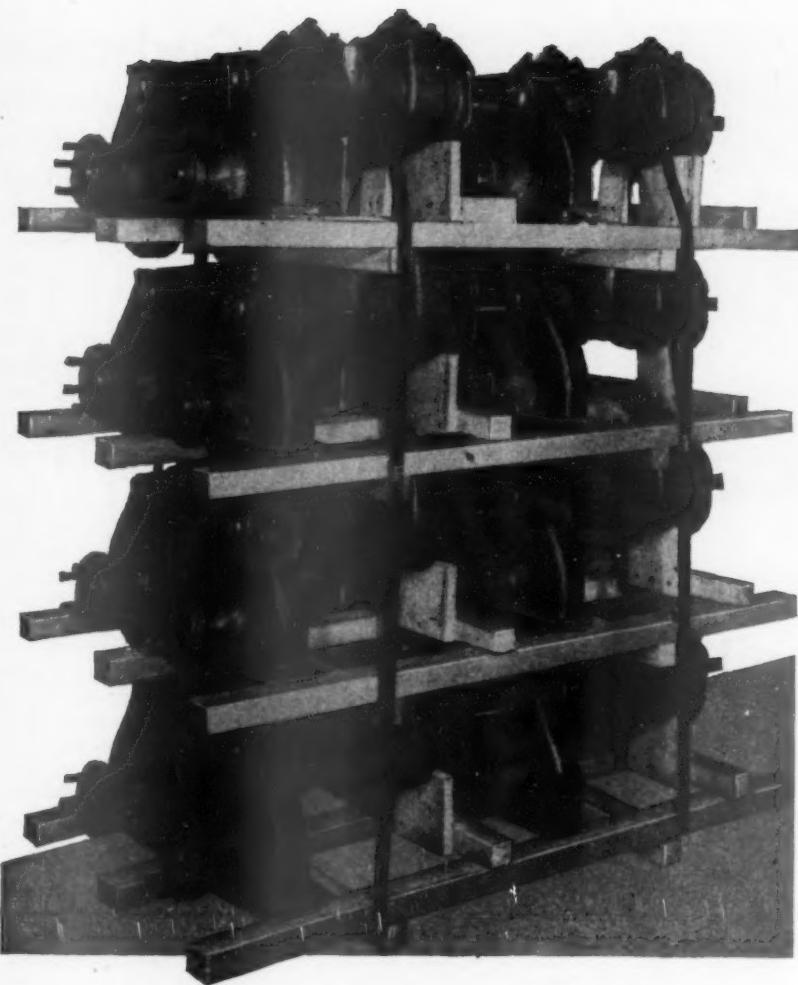
The company was then forced to farm out the work and give 25% of the job to another plant with a different U.A.W. local. A delegation of union representatives visited the union local resident at the second plant and asked that he also hold production down to eleven pieces a day. He replied that 16 pieces was an easy day's work, and that this output would be guaranteed on the farmed out jobs. The next day the welders at the original plant raised their output to 16 pieces a day and held it at that point thereafter.

Holding Their Fire—Briggs Manufacturing found welders on the job only 50% of the time. When they were instructed to keep busy, they reduced the flame on their torches so that they worked full time without raising output. Union representatives insisted that the management had no right to instruct welders on the flame to be used on torches.

General Motors Corp. had a long battle over a shearing operation which insisted could shear two pieces as efficiently as one. The union insisted that no more than one piece be sheared at time.

A Constant Struggle—In the auto industry, as in most mass-production industries where unions are entrenched, constant struggle goes on to break down artificial barriers to full production. The grievance and arbitration machinery is burdened down with controversies over work standards. But these conflicts are concerned, largely, with marginal manifestations of restriction on output.

The broad, over-all problem is only rarely subjected to the bargaining process. Only when that happens can real progress toward increased individual employee effort be expected.



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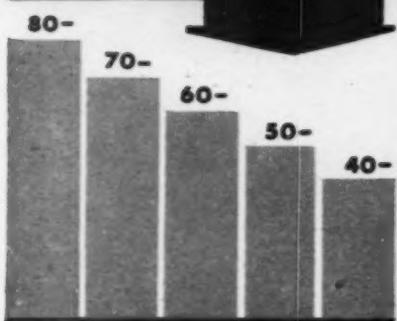
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Wage Guideposts

Panels' recommendations in G. M. and oil disputes set first semblance of a pattern for implementing Truman's speech.

Fact-finding recommendations in two major wage disputes—for a 17.5% increase at General Motors and 18% increases in oil refineries—have given labor and management guideposts for interpretation of President Truman's wage policy speech of Oct. 30, 1945 (BW-Nov. 3 '45, p16), and have given strong support for a spreading pattern of 18% pay raises.

• **Panels' Position**—Quoting the President's statement, "There will have to be a drop [in take-home earnings], but we cannot afford to have that drop too drastic," both G.M. and oil panels turned away from the standard union demands for 30% wage increases. Instead, they recommended the smaller increases which would keep take-home earnings almost up to wartime peak levels for G.M. and oil workers. Both unions were willing to accept the lower percentages, but at midweek G.M. had rejected the recommendation in its case, and oil companies had given no indication of compliance with the 18% raise proposal.

Both G.M. and oil panels took the position that employers can advance wage levels substantially, without any upward adjustment in price ceilings, and still earn profits in-excess of those of the base period (1941) used by the OPA for pricing purposes.

• **How They Figured**—Basically, the two panels reached their final recommendations like this: An industry's average peak wartime work-week, and its current straight-time hourly rate were used to work out the ideal take-home earnings to be sought for 1946. Anticipated production for the current year, compared with past production experience, was used to forecast the average work-week for 1946.

It then was a simple matter to figure how much wages would have to go up to permit a maintenance of ideal take-home earnings. The resulting figure then was adjusted until it fitted into panel conceptions of what management could pay without dropping below its 1941 rate of profits.

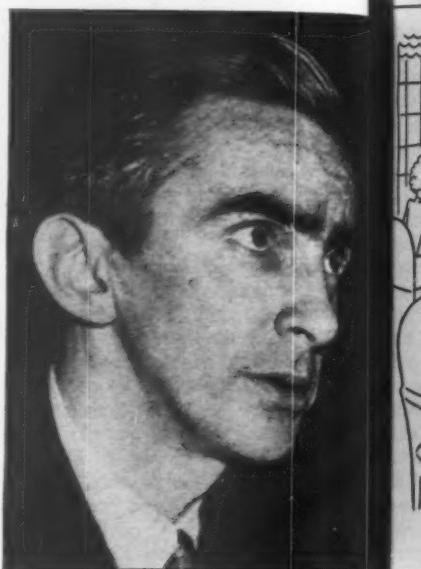
• **Point of Disagreement**—Management's opposition is expected to hinge on the latter rule-of-thumb adjustment, which, in the G.M. case, presupposes 1941 production levels, material costs 15% higher than 1941, and undisclosed higher selling, general, and adminis-

trative costs. G.M.'s offer of 13½¢ an hour, or about 11%, to the union was its conception of the maximum under which 1941 profits could be maintained.

The two panels were consistent in minimizing the effect of down-grading in the two industries involved. And when unions argued that higher costs of living made pay hikes necessary, there was a similar closeness in panel thinking.

• **With the Same Result**—The G.M. fact-finders said that it considered rises in living costs had been more than offset by wartime increases in take-home pay. The oil panel recommendation made a percentage allowance for what it considered to be the failure of straight-time hourly earnings to rise with living costs, then added a second allowance for loss of premium pay. It was a case of using two ways to reach the same practical result.

Both panels made liberal use of data from the Bureau of Labor Statistics, U.S. Dept. of Labor, and from the C.I.O. unions. Both found corporations unwilling to open books and re-



TO WEIGH GOOD FAITH

On the labor front this week a new issue emerged: Has General Motors a legal basis for its refusal to discuss ability to pay higher wages or is its action a violation of the law? National Labor Relations Board member Gerard D. Reilly (above) was assigned to hear C.I.O. auto workers charges that G. M. has failed to bargain "in good faith" as required by the Wagner Act—with every indication pointing to court action.



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ords to fact-finders, although 18 of 2 companies in the oil wage dispute permitted BLS to make a special plant-by-plant study of wages, hours, price and collective bargaining in the oil industry to help fact-finders reach their decision.

• Applying the Formula—In the GM case, the panel applied its formula to find that the work-week averaged 48 hours in the base period, 1944. Production during 1946 was estimated at no less than 1941, and the work-week was estimated at between 39.5 and 41 hours. To assure the 1944 take-home, a wage increase of between 15.5% and 19.4% was found to be necessary. The panel split the difference, to hit upon an increase of 19½-an-hour or 17.5%.

This raise will be possible, according to the panel's reasoning, since GM's prices will be based upon what they were in 1942, or more than 12% above 1941, when, according to the board, GM's profits were the highest in the history of the company.

• Categories—GM's proposal for 1½-an-hour more was rejected as putting the company into the category of low-paying employers. The board specified that an adjustment of 16¢ more would be necessary to keep the company in the category of highest-paid employers and "in the position of leadership of American industry which it occupied in the past."

Such a factor, the board said, should be considered "not as a ground in itself for establishing a wage increase, but a significant element which may be properly taken into account in determining the full weight to be attached to the factors of cost of living, reduction of weekly hours, and downgrading and demotions" in fixing a proper wage.

• Oil Panel's Reasoning—The oil panel applied much the same basic way of thinking. It found that in its peak base period, July, 1945, the oil refineries' average was 45.4 hours a week and that on the basis of past performance the anticipated 40-hour week in 1946 may be expected to result in an average of 39.1 hours of work. An increase of 22% would be necessary to maintain the July, 1945, take-home.

However, the panel was working in a situation in which at least three companies and their local unions had agreed by collective bargaining, on a mutually acceptable 18% increase. Therefore the oil panel adopted that figure, justifying it with the assertion that a 9.5% increase is necessary to adjust straight time hourly pay to increased living costs and that 8.5% covers adequately an adjustment for "less premium overtime pay, higher productivity, and settlements already negotiated (through collective bargaining)."

Shipyard Schism

John Green's union backs 3-to-1 in factional fight, but stormy convention indicates that rough weather is ahead.

John Green, doughty Scotsman from Linden, N. J., has been elected to an seventh annual term as president of the Industrial Union of Marine & Shipbuilding Workers of America (C.I.O.), but he is harboring no illusions of a easy job ahead.

Free-for-All—Two things make that plain: realization that with shipyard jobs declining it will be difficult to keep its 230,000 members in jobs, and a day, faction-ridden convention which put him on guard.

Accustomed to boisterous conventioning (BW-Oct. 7 '44, p102), I.U.M.S.W.A.'s delayed annual gathering this year set new records with a half-hour free-for-all in the ballroom of Atlantic City's Chelsea Hotel, between Green administration supporters and members of so-called "progressive" caucus opposing him. As usual in past disputes, the fist-swinging controversy was question of which of two delegations, with widely divergent union political leanings, should cast a local's convention votes.

Insurgent Veteran—The two-delegation local was the powerful 20,000-member Kearny (N. J.) Local 16, long I.U.M.S.W.A. trouble spot. One delegation was present in force to support Green; another, also claiming to the choice of a local union majority, present to back Philip Van Gelder. Van Gelder, original secretary-treasurer I.U.M.S.W.A., recently returned from a military leave of absence to find his job gone. Although offered \$7,500 (his prewar pay) to serve as an international organizer, Van Gelder split with Green to lead the opposition.

Condemnation of what Van Gelder's forces described as a convention "rigged" by Green's paid organizers reached a climax when committeemen decided that neither Kearny delegation would be permitted to vote.

Program—In anticlimactic voting, Green won 3-to-1 over his opposition, and his entire slate went in with him. Van Gelder lost in a bid to regain the secretary-treasurer job.

The factional fight obscured business in the union, which pledged a firm fit for a 30% wage raise—not "a munificent 10%" as urged by federal jobbuilding wage officials; a 30-hour shipyard work-week; and a guaranteed annual wage.

Condensed Statement of Condition December 31, 1945 RESOURCES

Cash in Vault and in Federal Reserve Bank	\$ 675,747,941.26
Due from Banks	328,846,225.31
TOTAL CASH	\$1,004,594,166.57
United States Government Obligations, direct and fully guaranteed	3,135,746,035.32
State, County, and Municipal Bonds	276,912,248.16
Other Bonds and Securities	114,421,394.58
Stock in Federal Reserve Bank	6,092,600.00
Loans and Discounts	1,018,741,455.87
Accrued Interest and Accounts Receivable	17,248,685.19
Bank Premises, Furniture, Fixtures, and Sale Deposit Vaults	25,533,282.53
Other Real Estate Owned	236,891.92
Customers' Liability on Account of Letters of Credit, Acceptances, and Endorsed Bills	26,324,950.15
Other Resources	212,216.77
TOTAL RESOURCES	\$5,626,063,927.06

LIABILITIES

Capital:	
Common (8,000,000 Shares)	\$ 100,000,000.00
Preferred (404,278 Shares)*	8,085,560.00
Surplus	96,500,000.00
Undivided Profits	20,655,495.46
Reserves	4,191,446.63
Preferred Stock Retirement Fund	162,053.65
TOTAL CAPITAL FUNDS	\$ 229,594,555.74
Reserve for Bad Debts	18,106,619.15
Demand	\$3,304,532,369.14
Deposits:	
Savings and Time	2,034,774,729.30
Liability for Letters of Credit and as Acceptor, Endorser, or Maker on Acceptances and Foreign Bills	26,616,878.57
Reserve for Interest Received in Advance	4,837,849.34
Reserve for Interest, Taxes, etc.	7,601,125.82
TOTAL LIABILITIES	\$5,626,063,927.06

*Issued at \$50 (\$20 Capital—\$30 Surplus). Annual Dividend \$2. Preferred to extent of and retrievable at issue price and accrued dividends. This statement includes the figures of the London, England, banking office.

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Old-Timers Out

Civil Service rules give superseniority to veterans of both world wars. Long-time U.S. employees are losing jobs.

Because of the superseniority rating which Civil Service regulations bestow on returning servicemen, many long-time government employees are losing out to veterans.

This has reduced the efficiency of numerous federal projects, since many of the rehired veterans have had little experience. Supervisors are caught in the middle by production cutbacks and the provisions of the Veterans Preference Act of 1944, which specifies that employees eligible for veterans preference shall be retained in civilian positions whenever there is a reduction in force.

- **Old-Timers Out**—Typical is the condition at the Frankford Arsenal in Philadelphia where five men were recently furloughed. One had worked for the government for 36 years; two for 30 years; the fourth, a former department foreman, for 25 years; and the fifth for 18 years.

Arsenal officials said all have an A-2 Civil Service status, meaning they are "Permanent employees with a better than good rating" for production, efficiency, and attendance. But the regulations place veterans in two higher ratings.

At the top of the priority list is an A-1 plus, for veterans of the second World War who had a permanent Civil Service status before they entered military service. Any Civil Service employee now returning to his former job is automatically entitled to that rating for one year. Next is an A-1 rating, given first World War vets whose status is regarded as permanent. Then comes the A-2.

- **Some Transfers**—At both the arsenal and the Philadelphia Naval Base it was explained that every effort is made to avoid layoffs among older employees in a permanent status. Wherever possible they are transferred to other departments.

However, this frequently means a reduction in pay and in permanent classification. And in the new, lower-paid position, the employee again is confronted by the 1944 act which says, "An employee with veteran's preference will not be reduced to make room for demoting an employee without it, when both are in the same retention group."

As a result, such transfers are usually rejected by the men in the hope that



GOODRICH'S ICE BREAKER

New employees get a warm welcome without benefit of Elsa Maxwell. B. F. Goodrich's Research Division Akron. On a bulletin board adorned with a caricatured master of ceremonies, photos of new arrivals are posted, with thumbnail sketches mentioning home town, school, hobbies so that workers can quickly discover kindred spirits among newcomers.

their old departments will pick up. • **Promise Held Out**—Personnel managers said the layoffs of men with long employment records was done with considerable misgiving. All were promised re-employment when possible. Those in the 45-50 age category reported they are having difficulty finding work in private industry even though they are highly skilled mechanics.

WAGNER ACT—MIRROR VIEW

One of the consequences of end-of-the-war frictions between labor and management has been a renewed demand for either repeal or revision of federal labor laws. Management spokesmen have been particularly bitter toward the National Labor Relations (Wagner) Act, with its guarantee of collective bargaining rights and its restrictions on management.

Timely, therefore, is a new book, "The Wagner Act: After Ten Years," edited by Louis G. Silverberg, director of information for the National Labor Relations Board, and published by the Bureau of National Affairs. Described as a "close-up" view of the law's foundations, its early struggles in the courts, and with labor and management, and its impact on workers and management, the book is a compilation of commentaries.

Sen. Robert F. Wagner, who drew original bill, and ten other observers, most of the latter were closely identified with NLRB at some time. One was a former union supporter of NLRB, and a mild critic.

The technique furnishes a valuable picture of NLRB as it sees itself, and it conceives its duties. The choice of commentators makes for a powerful but biased—argument that the act, without revision, is just as valid today as ten years ago.

Management will not agree with us that strengths and weaknesses of the act have been amply presented. Although one spokesman for management, H. Hill, publisher of McGraw-Hill's Electrical World and Electrical Contracting, is heard from, his suggestions for improvements in the act are lost in the chorus of approbation for the law as it stands.

TERANS FUTURE

One of the uncertainties in employment planning has been the question of what returning servicemen would do: how many will return to old jobs and how many will seek new employment, how many will want to take advantage of educational or job-training rights, how many want to go into business, and how many will flounder about at first in economic uncertainty.

A number of surveys have sought the answers, with varied results. Recently, however, the Army made a careful check among 1,148,000 veterans leaving the service.

Results showed that of those having definite plans, slightly more than one in every three, 37.1% planned to return to old jobs under guarantees of the Selective Service Act; 30.3% either had no job waiting or wanted to change employment; 9.4% wanted to return to school, or engage in full-time training or education; 8.6% were planning to engage in farming; 8.4% were interested in part-time training or education; and 5% planned to go into business for themselves. Not included in the tabulations were 15.1% of the 1,148,000 who were undecided about the future, or said they wanted to "see what turns up."

BATTLE PRINTERS RETURN

Seattle's three daily newspapers, closed by strike since Nov. 18 (BW—Dec. 29 '45, p98), resumed publication this week in time to give readers an account of another paralyzing walkout—a strike of the city's bus system. Publishers and Local 202 of the I.L. International Typographical Union agreed to a wage increase of 65¢ a day, bringing the scale for a five-

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A brief but comprehensive analysis of the effect of our economic policies upon the security of the world, with special attention to relations between Russia and the United States. Explains the general basis of world politics and the place of economics in the world picture, outlines the critical points of choice between measures that lead to insecurity and those that lead to prosperity with peace.

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day, 35-hour week to \$65 (\$68.75 night shift). The increase was a dollar a day higher than the raise rejected by the I.T.U. membership before the strike began.

Employees other than the strikers drew full pay during the shutdown. On demand of the C.I.O. Seattle Newspaper Guild, the publishers paid reporters and other editorial personnel even though they declined to cross the printers' picket lines. Newsmen reported "for work" daily at the picket lines, were checked by a Guild representative, then turned away.

NEW ASBESTOS STRIKE

The second strike in six months over wage increase demands has forced suspension of operations at the Keasbey & Mattison Co. asbestos manufacturing plant, Ambler, Pa., and 700 striking members of the United Textile Workers (A.F.L.) have warned that this time

RARE NEWS ITEM

Utilizing the A.F.L. pressmen's strike in Cleveland for a little promotion, Radio Station WGAR gets out the city's only newspaper (right)—a daily mimeographed sheet distributed free through restaurants, hotels, drug stores. The Cleveland Press, like the other regulars, makes up every edition as usual, but the single copy made gets no farther than the bulletin board, and staff members are the only readers (below). Meanwhile, out-of-town papers are rushing copies—some by air—to news-starved Clevelanders, who wait in line 200-strong.

they intend to stay out until there is a substantial increase in their paychecks.

The textile workers, who want 25¢ an hour more and have been offered 7½% raise by the company, struck July 1, but ended their walkout after 10 days when selective service officials deferred deprivations for 47 veterans holding war work draft exemptions.

Subsequently, union and company signed an agreement reached through the National War Labor Board, which left wage scales to direct negotiation between the parties. Slow-moving negotiations failed to bridge the demand-offer gap, so the A.F.L. union finally complied with the Connally-Sheehan War Labor Disputes Act, and the walkout ended.

LATEST NEWS

This establishment brings you the latest news bulletins through the medium of the "WGAR News Room."

Bert T. Hogg, former Ohio employee, member of the AFL-CIO, today returned to his old office in Cleveland to resume his work as a member of the executive board. They share the expense intended to help to establish a permanent "American Federation of Automobile Workers" here if a referendum is favorable.

The Farmers-Bureau organization and the U.S. News report on a contract, as far along as possible, that will recommend a modest tax-based program, designed to assist in part at least, wage demands.

In Chinese police have arrested 150 persons as the result of a demonstration against the U.S. News.

In the "Futura" Hotel, Federated Service Center, the result of a meeting of 1200 men and government agencies should be announced Saturday night.

Leaders of Chinese workers' factions have announced that they have reached an accord with their employers in "Futura" conference with 1000 delegates.

U.S. Army engineers are working a project connected with nuclear energy. The project is located in the mountains of Idaho.

Official Soviet version lists 100 as Soviet planes to destroy civilian aircraft. Selection of a naval base was performed yesterday.

WGAR
CLEVELAND'S FRIENDLY STATION



THE INTERNATIONAL OUTLOOK

BUSINESS WEEK
JANUARY 19, 1946



Draw your plans conservatively so far as they relate to a quick return of normal trading conditions around the world.

Superficially, first signs in 1946 are encouraging:

The United Nations Organization conference is off to a good start, with conflicting interests reasonably submerged during the initial sessions.

Foreign ministers (or their deputies) for victor nations have started to draw up the peace treaties which are to clear the way for UNO operation.

Charter members of the Bretton Woods monetary program are speeding plans for the organization meeting, to be held as soon as possible at Savannah, Ga.

And the 16 members of the United Maritime Authority have already agreed to meet on Feb. 4 to plan the systematic breakup of the massive wartime shipping pool, beginning Mar. 2.

Actually, you can't expect world business to be back in normal channels before 1947.

First moves at London prove that new or traditional interests of individual nations will prevent quick action when vital issues—rather than mere questions of organization—are involved.

Participating governments are likely to hold prolonged debates before the necessary funds are voted for the Bretton Woods scheme.

And, despite current optimism, ships will be freed only gradually to unrestricted private operation in prewar channels because of the determination of the major powers to insure adequate home supplies of food and industrial raw materials.

Though the demand for goods is enormous and huge orders—like the pending French deal to buy 36,000 freight cars in the U. S.—will be placed each month, it will be the end of this year before world trade begins to resume its normal flow between individuals and companies.

Look for no early easing of occupation problems, either in Europe or in the Far East.

Despite the spreading conviction that the military are wholly unprepared to cope with problems of civilian administration after the war has ended, and in spite of spreading G. I. discontent, the State Dept. has flatly refused to take over administration of the U. S. zone in Germany beginning July 1, as originally planned.

In Japan, surveys now under way will determine whether military officials will succeed in handing over all except policing responsibilities in the near future.

The rise of postwar tariff barriers is already bringing pressure on Washington to speed action on the trade agreement program, scheduled now for intensive consideration in May.

In Brazil, small steel companies that mushroomed during the war and now find that they cannot compete with imports either in price or in quality are asking for mountainous duties on imported tool steel.

Manufacturers of luxury goods should take a tip on the future export

THE INTERNATIONAL OUTLOOK

(Continued)

BUSINESS WEEK
JANUARY 19, 1946

outlook from recent business developments in London and Mexico City.

Britain, usually a big market for luxury goods, has written into the recent credit deal the condition that imports will continue to be controlled so that limited supplies of foreign exchange can be used exclusively for purchase of essential equipment abroad.

Mexico, on the other hand, announced one week ago that, effective Jan. 13, imports of a long list of luxury items would be allowed only if doubled duties were paid.

The trend can be expected to spread temporarily over a large area. How long the barriers last will depend on the speed with which world trade revives and individual countries are able to balance their foreign trade.

Simultaneously, however, the Confederation of Chambers of Commerce of Mexico has requested the government to invalidate a decree law issued by the Secretary of Agriculture at the start of the war forbidding the export of fine lumber such as mahogany, all of which was then channeled to Allied governments for wartime use.

Demand of Mexican business leaders is aimed to revive and expand fine lumber exports through private channels.

Determined to break India's dependence on imports of machinery for rapid national development, Indian government officials last week invited 50 of the largest textile mill operators in the country to consider plans for the creation of a domestic textile machine building industry.

Textile equipment accounted for one-third of India's prewar machinery imports

Don't jump to conclusions about the sale of surplus war equipment to Latin America until you know these facts:

(1) Washington hopes to sell nothing except on a replacement basis. (Each buyer country will turn in an old gun—or field piece, or warship—for every new one supplied by the U. S.)

(2) By this move, the U. S. expects to create a precedent of supply from this country rather than from Britain, France, or Russia. (The field is wide open since Germany, key supplier to various Latin American countries, is no longer allowed to manufacture implements of war.)

(3) As a result of these two moves, Washington hopes to pave the way for the choice of U. S. military advisers wherever military missions are wanted.

Our chiefs of staff make no bones about the fact that they will do almost anything to prevent Russia from becoming military adviser to any Western Hemisphere nation.

Keep an eye on trade opportunities in Peru.

Already embarked on the development of a sizable coal-steel-chemical combine at Chimbote (350 miles north of Lima), Peru has just placed a \$1 million contract with the Frederick Snare Corp., New York, for the construction of the first of a number of fish processing plants, at Chancay.

Peruvian authorities recently announced also that they have under construction a series of government-controlled cold-storage warehouses to be scattered across the country in metropolitan centers.

BUSINESS ABROAD

Business Balks in Argentina

Employers stage three-day lockout and threaten to continue in protest against compulsory wage boost and other terms ofistic government decree. Peron accused of exacting slush fund.

This week Argentina's revolutionary government, most criticized of hemispheric dictatorships, was in hot water domestically.

In a three-day business sitdown, protest against arbitrary new wage laws, halted commercial transactions throughout the country.

Involved and Portentous—As many as 10 million workers were affected by the sitdown of factories and retail and wholesale establishments. The immediate cause was a staggering government-mandated wage increase, but this was only a spectacular facet of an increasingly involved and portentous political trend. The wage decree has been accepted as a government bid for labor support in Feb. 24 election. The government candidate for the presidency then will be Col. Juan D. Peron, former vice-president and power behind the present military leader, Gen. Edelmiro J. Far-

Although the government denies that the decree has any political motive, a government spokesman, perhaps unwittingly, attributed its authorship and authorship to Col. Peron more than a month before its full details were published.

Economic Grief—The end of the war slightly eased the economic difficulties of Argentina—partly because the policy of the Buenos Aires government had shifted importantly from the wartime pro-Axis, anti-United Nations position.

Difficulties of supply, coupled with a rigorous armament policy and a tendency toward autarky in economic planning, encouraged an administrative breakdown of loose inflation controls. The index of living costs (1939=100) has risen in the last year to 135 from a wartime level (1941-44) of about 110. The wage rises envisaged in the decree were intended to meet hardship stemming from price increases—without any parallel government action to stem a general inflationary trend.

Decree Provisions—The most important provisions of the 80-article decree, issued on Jan. 20, 1945, and those most vigorously protested by industrialists and businessmen, include:

(1) All employers to grant a supplementary annual salary, starting Dec. 1, 1945, consisting of not less than one-twelfth an employee's annual remuneration.

(2) All employers to grant wage rises of from 25% (for lowest-paid workers) to 15%, except that wage rises already effected since July 1, 1944, may be credited toward the new rise. A slightly smaller increase (from 10% to 15%) is to go to workers not contributing to pension funds.

(3) Limitation of the right to fire workers, and of the right to lay off workers for more than 30 days a year, except under unusual circumstances.

(4) Severe fines for noncompliance with the decree provisions.

(5) Establishment of minimum salaries and wages, and of bonuses, subject to alteration as costs of living change.

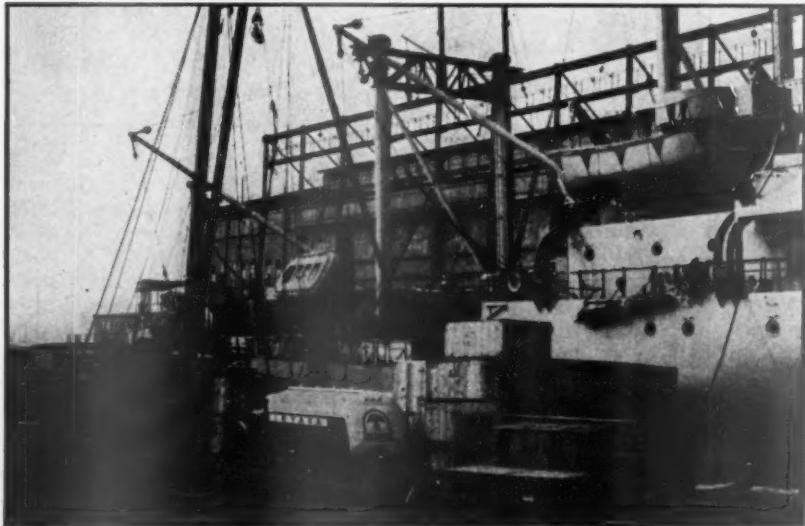
The level of wages is to be determined by a National Institute of Remuneration, created by the decree, which will consist of a directorate and a technical council, each with 13 members, to be appointed by government, industry, and labor.

• Repercussions—Trouble began almost immediately following promulgation of the decree. The Permanent Assembly of Production, Industry & Commerce, an employers' organization, immediately protested the illegality and unconstitutionality of the decree and began to marshal business support in opposition. When the assembly announced its intention not to pay the year-end bonus and raise wages, the pro-Peron Commercial Employees' Confederation rallied to strike against the rebellious employers.

While a number of sitdowns and walkouts occurred last week, the decision of the employers on a lockout is actually directed primarily at the government and not at the workers whose wages will continue—at the usual rates—throughout the lockout.

• Slush Fund?—The decree has been attacked in detail by both businessmen and the independent (largely anti-Peron) unions.

It is charged, for instance, that part of the deduction from pay rises which will go to finance the newly created National Institute of Remuneration, and to finance "holiday camps" for workers,



WITH PEACE, A RENEWED BATTLE

On a New York City Grace Line pier, U. S.-made rail and automotive equipment awaiting shipment to Peru and Colombia spells the revival of sharp competition for South American markets. Sweden, unhampered by reconversion problems, was the first to arrive on the South American trade scene; England, concentrating on exports in order to build up its credit, was a close second. At first just a trickle, United States exports are increasing swiftly, may reach flood proportions late this year (page 103).

may in fact be a campaign slush fund for Peron.

Further, because it is decreed that the February wage increase of all employees now subscribing to pension funds is to be paid to the pro-Peron Commercial Employees' Confederation (to "strengthen its finances"), it is charged that these funds will permit considerably larger campaign outlays than the union's treasury would have supported.

• **"Government-Approved"**—In this connection, it is noted that wage increases to noncontributors to pension funds will not be turned over to the Labor & Social Welfare Secretariat for distribution to small (but "government-approved") unions until March—after the elections. The whole concept of "government-approved" unions is widely attacked because it provides leeway for official discrimination against opposition groups.

The three thousand members of the Permanent Assembly of Production, Industry & Commerce—sponsoring the lockout—have announced with one breath their readiness to extend the lockout beyond the 72-hr. initial period if the government is adamant and their willingness to talk terms with labor and government if given a 90-day grace period, which would carry negotiation of a compromise past the election date.

Trade Tussle

British and U. S. exporters renew their keen rivalry for South African market. Union is partial to American autos.

JOHANNESBURG—Telltale sample of the Anglo-American battle for foreign trade that lies ahead is now on view in South Africa where British and United States exporters are engaged in a nip-and-tuck fight to corner the Union's markets.

• **Like Prewar Days**—Merchandise of American and British manufacture—ranging from lipstick tubes to heavy tractors—is now pouring into South African ports on a scale almost on a par with prewar levels. Canadian products, in smaller amounts, also are arriving in increasing numbers.

British exports to South Africa the first six months of 1945 totaled \$72 million—compared with \$78 million in the first half of 1938. For the same period, American shipments amounted to nearly \$67 million, though this amount also included a limited quantity of lend-lease supplies.

• **British in First Place**—In 1941, according to figures recently released by



TO PILOT A UNITED WORLD

Paul-Henri Spaak's role as president of the General Assembly of the United Nations Organization tops a colorful career as militant Socialist, poet, journalist, parliamentarian. The election of Belgium's 46-year-old Foreign Minister, who once led a Socialist demonstration in Brussels, was a triumph for Britain. Now, however, even the Russians, who eyed askance his western European ties, have been won over by his address in the opening days of the assembly.

the Dept. of Customs & Excise, U. S. exports to the Union exceeded those of the British—America providing 38.8% (\$153,480,900) of the country's imports as compared with 24.7% from the United Kingdom. In 1942, the British nosed back into first place, and have held the lead since.

With the wartime abnormal trade situation now a thing of the past, the fight for South Africa's trade is wide open—and the experts, realizing that the pattern is being set here for other parts of the world, are watching the tussle between the two powers with the greatest of interest.

• **U. S. Cars Favored**—Both countries, to date, have been pouring in approximately the same type of goods although the British, so far, have got the upper hand in the automobile market. No large lots of American cars have arrived, but British Austins and Flying Standards are appearing in fairly large numbers.

The British lead in the automobile field, however, is regarded only as tem-

porary, for American heavy cars, because of the long South African distance and the road conditions, always have been favored over the lighter English models.

• **Expansion Plans**—General Motors, which sold about 40% of the American prewar cars here, has spent \$3 million expanding its Port Elizabeth plant while Ford, which sold about 30%, also is expanding. Studebaker Corp., up 2½% prewar sales, is preparing to establish a plant at Uitenhage.

With a total investment of \$4 million, work has been started on the Goodyear Tire & Rubber Co. factory at Uitenhage. Full production is expected by August. The U. S. Rubber Co., Ltd., is contemplating a \$5 million factory at Port Elizabeth.

CANADA

Centralized Tax?

Ontario premier offers counter proposal to plan for single federal levy. Pool to needy provinces suggested.

OTTAWA—For Canadian business the prolonged negotiations between federal and provincial governments financial arrangements are narrowing down to a question of whether there are to be two tax bills or one.

• **Little Enthusiasm**—Last August Prime Minister W. L. Mackenzie King called provincial experts together and laid before them a plan under which the federal government alone would collect taxes on personal incomes, corporations and estates, and in return would enlarged subsidies to the provinces to extend expenditures on social security, natural resources development, grants to local public works.

The provincial governments did not receive the proposals with enthusiasm but there was no outright rejection until just after the new year when Premier George Drew of Ontario—Progressive Conservative and hence politically opposed to the Liberal Ottawa government—came forward with a set of counterproposals.

• **Proposes Tax Pool**—The Dominion plan would have made permanent wartime centralization of tax authority in exchange for per capita payment to the provinces. Drew wants prewar rights restored to the provinces and offers his own concessions to obtain them.

The Ontario government meets



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criticism that the two industrial provinces house about 85% of the industry of Canada, and with their numerous head offices and factories enable the province to tap wealth earned throughout the nation, with the following suggestions:

(1) Each province should place 10% of its annual tax receipts from incomes and succession taxes into a pool, to be distributed to provinces unable to maintain education and social services at an adequate level.

(2) National business of Ontario firms should be analyzed by provinces and taxed for the benefit of the other provinces on a pro rata basis.

• **Delaying Investments**—This latter feature has Ontario businessmen worried. It looks like more bookkeeping; they contend that sales and profits by provinces are certainly not identical, that calculation of profits by provinces is well-nigh impossible.

There is considerable fear of a prolonged argument between Ottawa and the provinces, possibly followed by haphazard attempts by the ten tax authorities to raise money competitively. Until a tax agreement is reached all new investment in Canadian activity will be under a cloud.

A fundamental fear is that the return of the nine provinces into the tax field would ditch the new plan to use Dominion taxation—a la Hansen, Keynes, and Beveridge—as a balance-wheel to counter cyclical booms and depressions.

• **Separate Deals?**—The federal government is eager to retain control of corporation taxes so that it may lower them in times when it wishes to foster expansion of business activity and raise them when it notes undue tendencies toward inflation. On the other hand, it is feared that the provinces would hike corporation taxes when a depression sets in and other tax income falters, and thus contribute an additional push to the downward swing.

There is some hope that the Drew proposals are to be used to bargain for larger federal grants to the provinces, but if it is finally faced with the prospect of duplicate tax authority Ottawa has at least one big club hidden. Since some of the provinces have indicated a willingness to go along with the Dominion proposals, and others might fall in line with a little coaxing, Ottawa might make separate deals with as many provinces as it can and leave Ontario in the cold.

• **Hold-Out Pattern**—Ontario business would then be struggling under a double tax load, and aware that its payments went to benefit other provinces while Ontario received no federal allotments. This is what happened when old-age pensions were introduced in Canada,

and one by one the hold-out provinces fell in line. However, this entailed three or four years of negotiation and business hopes the pattern won't be repeated in this case.

Ottawa has already stretched a point to interest Ontario. Drew, to gain Toronto support for his stand, emphasized that the new Toronto subway plan was ineligible for federal aid under the terms of the Dominion proposals. Ottawa is now unofficially intimated that a \$10 million planning grant might be available on fixed installations but not on rolling stock.

Crisis on the Left

Showdown between right-wing and Communist-led elements in labor is foreseen. Moderate are in favorable position.

OTTAWA—Observers of the Canadian labor scene are predicting that 1946 will see a showdown between right- and left-wing elements in the labor movement.

Which will emerge dominant is certain, but at the moment the position of the right wing appears to be a bit stronger than it has been for some time.

• **Communists Active**—Latent political clashes in the unions are beginning to show up as moderate elements become more restive under the leadership of Communists who have gained key positions and as Communists in other organizations seek to get to the top.

The two major federations, the Canadian Congress of Labor (C.I.O.) and the Trades & Labor Congress of Canada (A.F.L.), were unable to hold their conventions in 1945 because of travel restrictions. The expected showdown may come at the 1946 convention on the issue of election of officers.

Essentially, the political fight is between elements which support the Communists, now calling themselves the Labor-Progressive Party, and those which support the Cooperative Commonwealth Federation, Canada's moderate socialist party.

• **Open Warfare**—There are also moderate and strongly anti-Communist elements who are supporters of the Liberal and Progressive-Conservative parties who are opposed to a tie-up of any kind between unions and political organizations.

The last open development in the conflict was the suspension in October of the Montreal aircraft workers of the International Assn. of Machinists (A.F.L.) for supporting Communists.

general election last June. One of suspended officers was also specifically charged with trying to take the membership into the United Electrical Workers (C.I.O.).

Left-wing leadership is believed to have suffered a loss of prestige in the drawn-out Ford strike at Windsor, held recently (BW-Jan. 5 '46, p96). The Ford workers are members of the United Automobile Workers (C.I.O.) while the Communists have not infiltrated to top ranks of the C.C.L., leadership of U.A.W. in Canada is equally divided between left- and right-wing elements.

Moderates Defeated—The Windsor leadership was basically Communist and it has been this element which resisted efforts at conciliation. Pat Troy, secretary-treasurer of the C.L., and Charles Millard, director of United Steelworkers, intervened in strike on the side of moderation. C.C.L. leadership is closely tied to Cooperative Commonwealth Federation politically, and Millard is an active member in that party. Their efforts were defeated by the left-wingers, but there are indications that the rank and file of the membership was growing increasingly restive at the inability of the leadership to deliver the goods in the form of unconditional capitulation of the company.

Significant Incident—The issue in the Windsor strike is the union shop. And though no union man and no political associate of unionism will admit any lack of sympathy with the Ford strikers, moderate elements which are politically minded look with some coolness at the statement of union shop contracts by Communist-led unions.

In Parliament recently, C.C.F. member George Castledon of Yorkton, Sask. (C.C.F. province), took a dig at the U.W. leadership when he said, "I think the union has had some leaders that was in error." The incident is significant so far as it indicates that C.C.F. party is having to fight for position as the political arm of the U.W. in Canada by taking sides openly in intraunion disputes.

Rackets—It was interesting as well as an expression of some impatience on top American leadership in international unions. Castledon was arguing legislation to guarantee union security, and Labor Minister Humphrey Bogart said he would put the judgment of Philip Murray, William Green, John L. Lewis against that. "Racket" retorted Mr. Castledon. When there was a protest that this was unfair to Murray, he added, "There can be no rackets," but later qualified that stating he did not want to say a word against Murray.

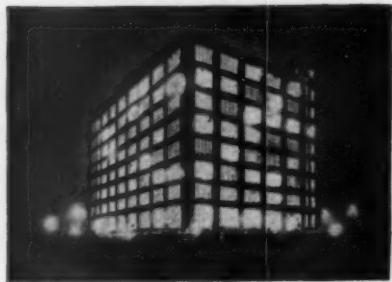
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THE MARKETS

(FINANCE SECTION—PAGE 10)



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Stocks				
Industrial	176.4	170.1	164.7	132.3
Railroad	68.0	65.9	63.6	49.6
Utility	88.8	84.5	81.2	57.9
Bonds				
Industrial	123.8	123.6	123.3	121.2
Railroad	118.9	118.6	117.6	113.7
Utility	115.9	116.0	116.6	117.1

Date: Standard & Poor's Corp.

A Truman Market

Since stock market participants heard that OPA price ceilings would be lifted to help the steel industry meet the wage demands of its workers, Wall Street has been luxuriating in the sunshine supplied by one of the most impressive price surges since the present bull market began in April, 1942.

Despite the growing seriousness of labor troubles in other sections of business, stock traders continue to interpret the Truman announcement as the first signal that the government is now prepared to trade price increases for wage raises in order to ease the present tense strike situation.

Today's stock market optimism, moreover, isn't all confined to individual traders or investors. Many of the prominent advisory services appear just as optimistic.

• **Advisers' Words**—Early this week, for example, one widely followed adviser

was still recommending to clients "rather fully committed positions in investment accounts" and also counseled the reinvestment of "at least part of proceeds" of any recent profit-taking sales.

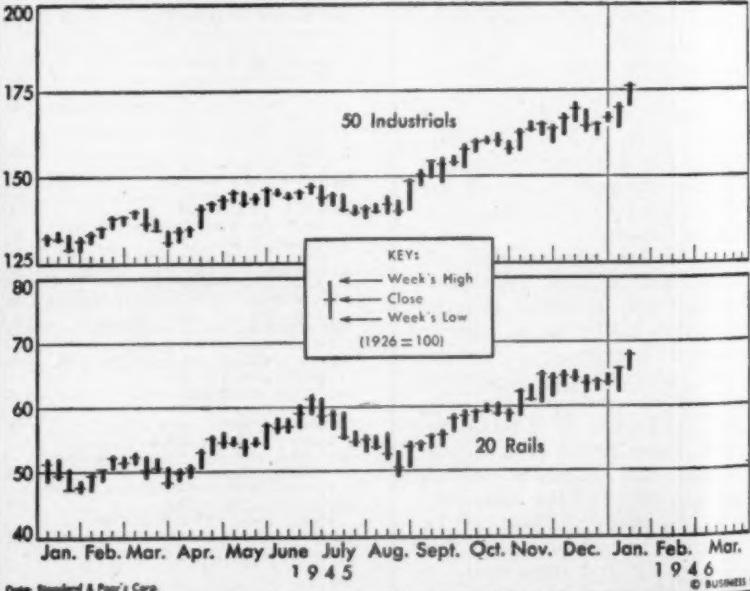
Another equally prominent service was advising readers that a "fundamental dynamic rise" was "probable over the period ahead," while a third felt that "the market has demonstrated that the line of least resistance is upward."

Contributing to the general fun are predictions emanating from brokerage circles of future possible advances of up to 20% in the Dow-Jones industrial stock price index before next month.

• **Index Responds**—It's not surprising, as a result, to find the D-J industrial average hovering around the 204.0 mark on Wednesday of this week, some twelve points above the figure in evidence just before news of the probable breaking of OPA's steel price ceiling started to fan inflation fears.

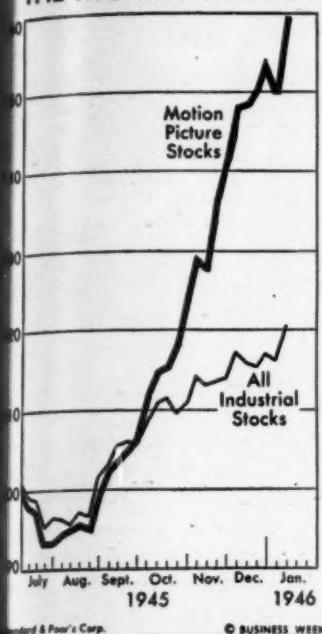
All the recent buying, however, has been confined to the industrial group. Even though they haven't turned in a spectacular performance, many issues in the rail and utility groups have been almost equally popular. Moreover, the two price indexes, like the industrial average, have climbed to levels not previously touched since 1930, when prices were tobogganing from the extravagance

COMMON STOCKS—A WEEKLY RECORD



Date: Standard & Poor's Corp.

THE MOVIES MOVE



they had reached before the blow of the fall of 1929.

Serious Opinion—However, not all Street is convinced that any millennium is at hand. Even though it is hard to hear dissenters above the clamor, than a few brokerage quarters are altogether satisfied with the soundness of the price structure. This group thinks, for example, that next twelve months may prove a disappointing earnings period for important industries as steel and coal than many expect, and that profits general, despite all the current optimism, are now lagging seriously behind market values. Therefore, they are urging clients to exercise considerable caution in evaluating common stocks.

Hollywood Goes to Town

If all the highfliers uncovered in stock market's vigorous upswing since V-J Day, only the liquor shares (Dec. 1 '45, p.47) have managed to miss the spectacular 60% rise scored far by Standard & Poor's weekly price index of motion picture stocks.

The gains recorded by individual issues have been even more sensational. Warner Bros. Pictures common, which cost \$2.75 in 1942 and \$11.50 early last year, now costs almost \$36; Paramount, available at \$11.75 in 1942 and \$23 in 1945, currently sells at \$35; and Twentieth Century-Fox common is now \$46 as against its 1942 low

of \$5 and 1945 low of around \$21.

- **Wartime Blow**—When war broke out in 1939, the foreign market was a very profitable one for the American motion picture industry. Foreign film rentals were averaging around \$135,000,000 yearly, about 35% of all such receipts, and about \$75,000,000 of this came back to the companies after their foreign expenses.

Hitler's Polish invasion thus signaled a heavy blow. Foreign revenues soon slumped some \$30,000,000 under pre-war levels, and movie stocks began diving to prices uncomfortably near their earlier 1933 "depression lows."

- **Prosperity at Home**—This selling of movie shares in the early war years, however, proved a big mistake. In our own war economy, the industry was destined to hold a favored position.

Earnings began to boom, aided greatly by the favorable impact on costs of reduced production and extended picture runs. By 1942, profits of eight representative picture outfits, before taxes, were running 185% higher than in 1939. After taxes, net was 60% higher and earnings have since reached new peaks.

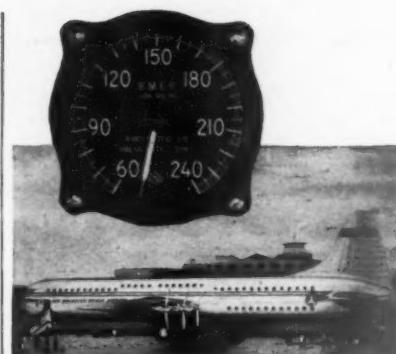
- **Structure Streamlined**—Remembering the major reorganizations necessitated by mistakes of the earlier boom period, most movie companies used their war earnings wisely. Most of the cash rolling in was used to streamline unwieldy capital structures. Much debt was retired and working capital positions were materially strengthened.

Picture costs are rapidly rising and are expected to advance further. Larger outputs are being required, due to the shorter runs that are anticipated. Taxes, however, are lower, and this factor, coupled with the improvement looked for in foreign business, should prove very helpful to postwar earnings.

- **Expectations**—Consequently, most Wall Street statisticians expect the movie industry to continue to show excellent revenues and earnings for some time. They point out that most of the factors benefiting the group in wartime will remain in the picture for some months.

Whether individual members of the group should be purchased at present levels, in view of their recent sensational rise, however, is another matter.

- **Pro and Con**—The more bullish, for example, very definitely don't think such stocks have yet exhausted their speculative possibilities. Others dissent in this connection. This latter group, remembering the industry's erratic pre-war earnings record, rather feels that, for a time at least, the movie stocks may have outstripped their earnings prospects.



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THE TREND

SECOND BATTLE FOR EUROPE

This is a report of sorts on the most crucial phase, that concerned with food, of what the London Economist has called the second battle for Europe—a battle directed to "consolidating victory in Europe this winter by preventing a collapse of the continent with a welter of hunger, disease and social upheaval." It is obviously a battle of major importance to the American business community not only because of the basic moral and human values involved but because the winning of it, which the Economist suggests may be more difficult than winning military victory, is the first step in building firm postwar economic and political foundations.

• **Thanks in large part to shipments of food from the United States, the threat of mass human starvation in Europe this winter is, so far as we can discover, being lifted from all except a few parts of Germany and a few isolated areas elsewhere where transportation has broken down completely.** During the first six months of this year we are scheduled to ship most of a relief allotment of 6,000,000 tons of wheat—enough to fill about 800 Liberty ships—to Europe. This wheat, together with a like amount to go from Canada, Australia, and Argentina for relief purposes, is relied upon primarily to provide the margin between general starvation and survival. We are told that it probably will do it.

However, those best qualified on the subject also tell us that as a whole the people of Europe are not getting and have no immediate prospect of getting nearly enough nourishment to generate the strength needed to make headway effectively on putting the pieces of their shattered world together again. There are exceptions. The Scandinavian countries provide one. Belgium, to which our armed forces have shipped a large amount of food, may be another. But undernourishment, caused by not having enough to eat or the right things to eat or both, is the rule in the cities of Europe.

• **In the meantime, we in the United States are eating more and better food than we ever ate before.** Immediately before the war we consumed food at the rate of about 3,000 calories per day per person. Now we are consuming at the rate of 3,300 per day, and the calories represent a larger proportion of richer foods. Both a T-bone steak and a turnip contain calories. The lushness of our food consumption stands out more sharply because production for the world as a whole last year, upset both by war and by the worst drought of years in the Mediterranean area, was about 10% less per capita than prewar. Thus this is inevitably a hungry winter for most of the world.

Many explanations, some of them understandably emotional, are offered for the great contrast between what Americans and Europeans are getting to eat this

winter. They range all the way from the contention we are suffering from fatty degeneration of our human sensibilities, as well as our business heads, to explanations concerned primarily with technical problems of transport, finance, and administration. After looking into the matter at some length, however, we cannot escape the conclusion that a more basic explanation is lack of leadership in developing an adequate program to have otherwise.

• **To be sure, we have been given a more or less continuous series of shocking reminders, both in words and pictures, that we are eating abnormally well in a desperately hungry world.** For example, Herbert Lehman has been extensively quoted as having told the UNRRA Council meeting last fall that if we Americans would eat less ice cream and drink one pint of milk less a month the task of saving Europe's mothers and babies would be solved. But humiliating comparisons of this sort have not been followed up by a program adequately designed to eliminate the basis for them. Indeed, so far as we can discover after much searching, no one in Washington has yet completed the elemental job of pulling together in one place all of the pieces of the European food problem, let alone prescribing an over-all attack upon it commensurate with the crisis involved. UNRRA has its food program, the Army has one too, and so have the governments of western European countries which buy food directly, but what they all add up to, no one in Washington knows exactly.

A step toward providing the necessary drive and coordination was taken recently by the creation of a committee representing seven federal agencies to expedite shipments of food to Europe in which these agencies all play a part. But a vast amount more remains to be done both to get the problem stated to the American people in clear and compelling terms, and to generate the steam required to see that we do our share collectively (we cannot do what is required as individuals) to meet it. Our minimum share should be to cut our consumption 10% and get that 10% to our desperately hungry starving neighbors in specially needed food forms.

• **We have no desire to belittle either the difficulties involved, which are great, or what has already been done.** But the difficulties are positively piddling compared with those which the nation handled in its stride in winning the first battle for Europe. It is our distinct impression that the American people are quite willing to do the full share to meet the European and world food crisis if given the requisite leadership. At any rate, the call to the contrary will not be made until it is tried. And until it is tried, the victory in the first battle for Europe will remain needlessly insecure.

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